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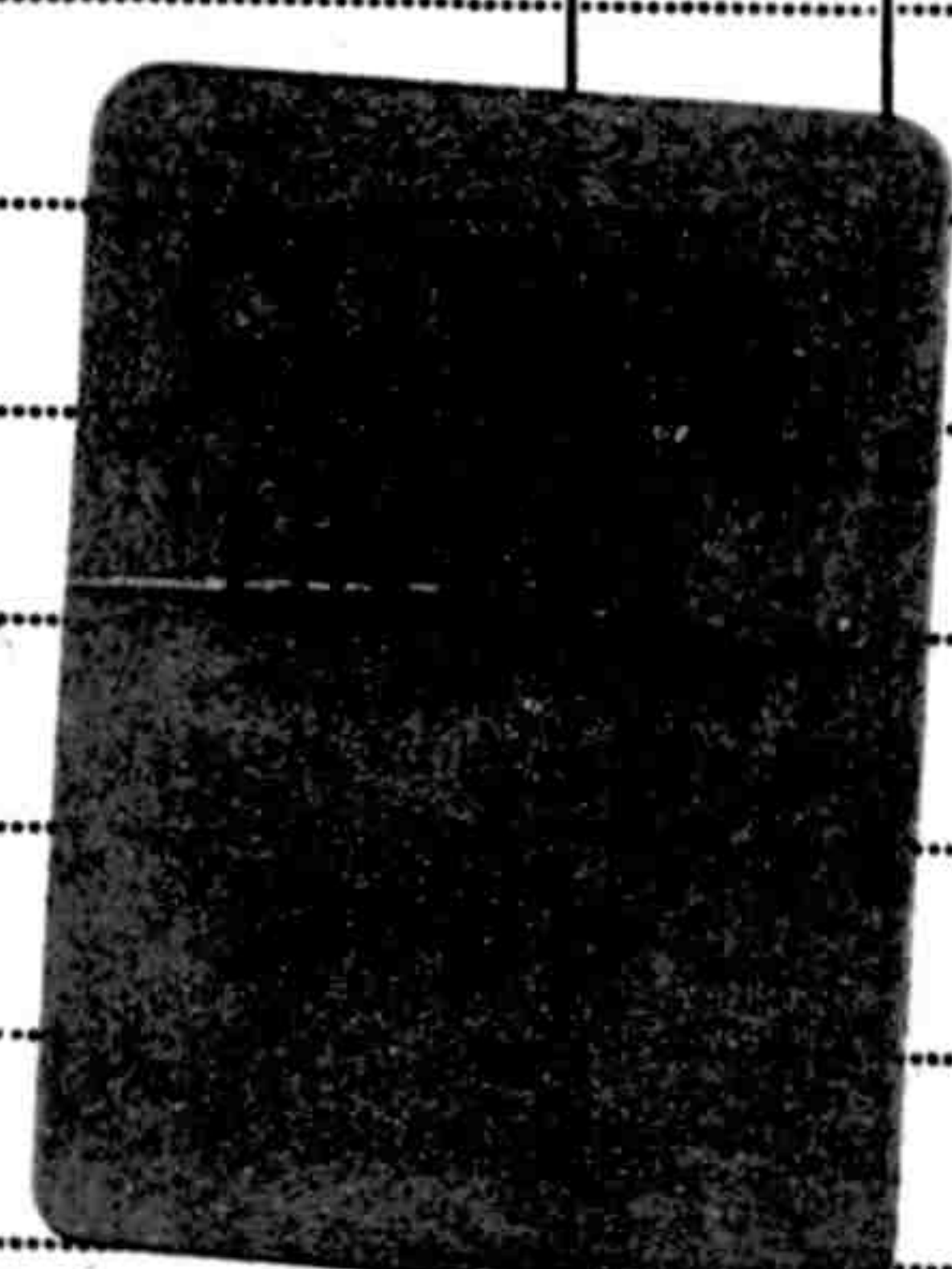
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FILE No. MCP 359/1 (Part A)

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GOVERNMENT POLICY & I. P. C.

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*IRAQ:*

*Government Policy and the I.P.C.*

FILE NO. *MCP 359/1*

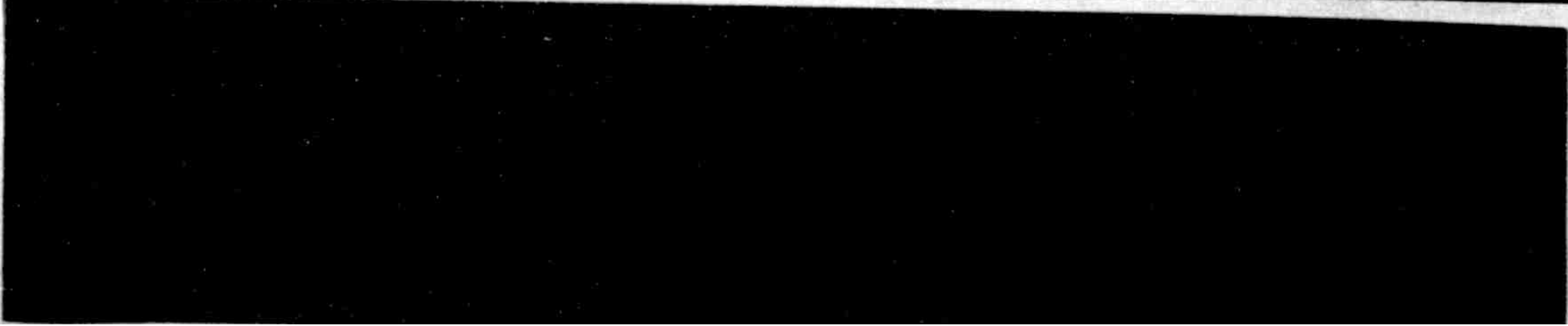
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	<i>JW.</i>	<i>12/11</i>						
	<i>NET</i>	<i>2/1</i>						
	<i>AM.</i>	<i>1/1</i>						
	<i>WED</i>	<i>6/12</i>						
	<i>to Wickham</i>	<i>9/12</i>						
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FILE NO.  
*MCP 359/1*

PART





(1)

CONFIDENTIAL

CYPHER/CAT A AND BY BAG  
PRIORITY FOREIGN OFFICE  
TELEGRAM NUMBER 300

TO BAGHDAD  
2 OCTOBER 1968 (COD)

CONFIDENTIAL.

ADDRESSED TO BAGHDAD TELEGRAM NUMBER 300 OF 2 OCTOBER  
REPEATED FOR INFORMATION SAVING TO BEIRUT THE HAGUE PARIS  
TEHRAN AND WASHINGTON.

YOUR TELNO 233.

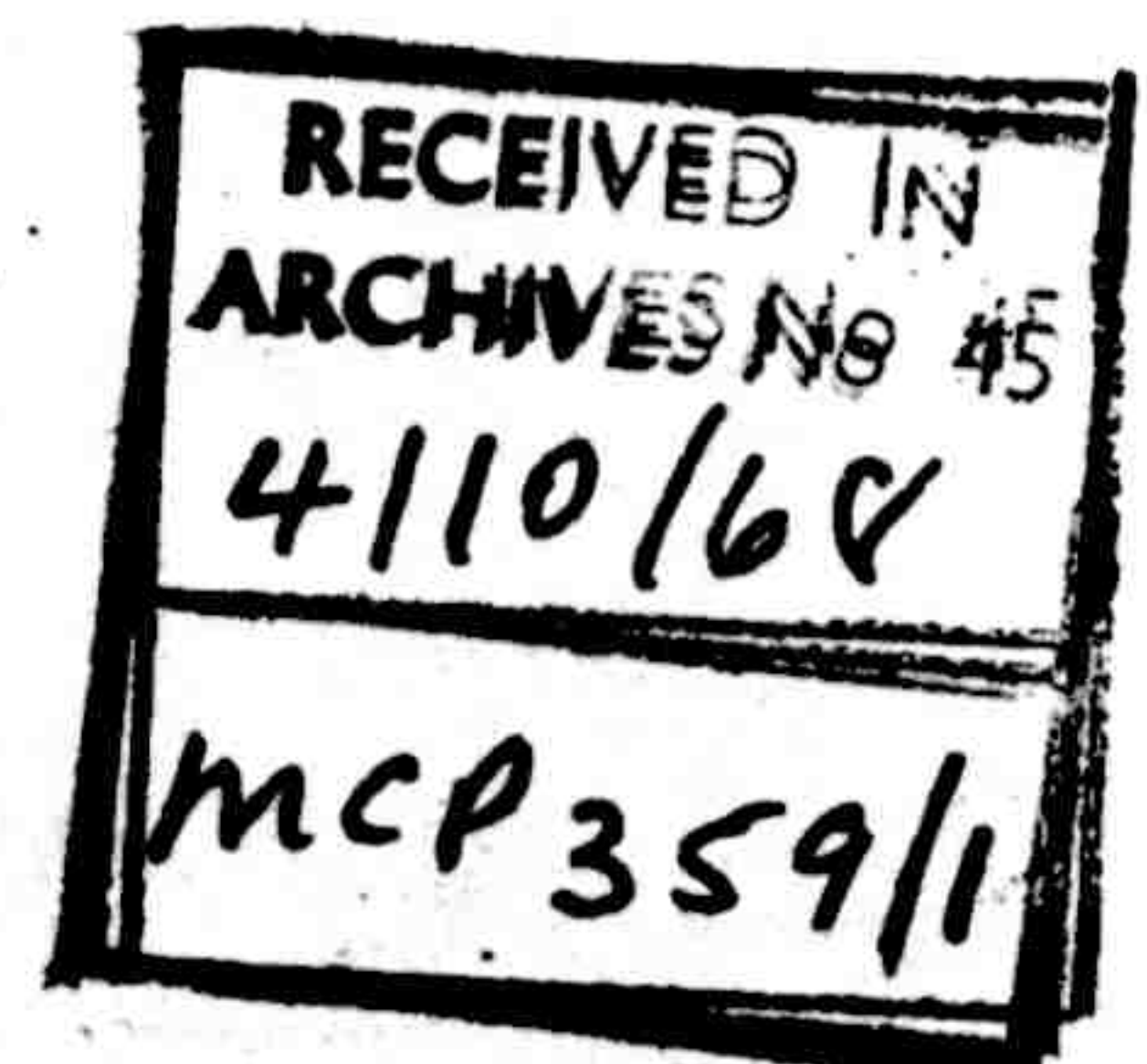
166-193/7.

MEETING WITH IRAQ MINISTER OF OIL.  
YOU SPOKE WELL.

2. WE HAVE TOLD IRAQ PETROLEUM COMPANY OF YOUR CONVERSATION  
WITH THE MINISTER FOR THE CONFIDENTIAL INFORMATION OF THE  
GROUPS. IPC MANAGEMENT WERE PARTICULARLY INTERESTED IN THE  
MINISTER'S DECLARED READINESS FOR TALKS, COMMENTING THAT THIS  
CONTRASTED WITH ADVICE FROM UNDER-SECRETARY GHULAM HUSAIN  
THAT TIME WAS NOT YET RIPE.

SOSA

DEPARTMENTAL DISTRIBUTION  
COMMODITIES & OIL DEPT.  
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• Date and time (G.M.T.) telegram should  
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Secret  
Confidential  
~~Restricted~~  
Unclassified

JTF  
2/10

Flash  
Immediate  
~~Priority~~  
Routine

(Date)

Despatched

2/10  
1309  
**CYPHER**

PRIVACY MARKING

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En Clair.  
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—if any]

CONFIDENTIAL

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Addressed to BAGHDAD

telegram No. 300 (date) 2 OCTOBER

And to

Saving  
repeated for information/to BEIRUT THE HAGUE PARIS

TEHRAN WASHINGTON

Saving to

Draft Telegram to:—

BAGHDAD

No. 300

(Date) 2/10/68

And to:—

Saving  
~~Repeat to:~~

~~BEIRUT  
THE HAGUE  
PARIS  
TEHRAN  
WASHINGTON~~

~~Saving to:—~~

Your telegram No. 283 [of 29 September]:  
Meeting with Iraq Minister of Oil.

You spoke well.

2. We have told Iraq Petroleum Company of your conversation with the Minister for the confidential information of the Groups. IPC management were particularly interested in the Minister's declared readiness for talks, commenting that this contrasted with advice from Under-Secretary Ghulam Husain that time was not yet ripe.

Departmental  
Distribution:—  
Commodities & Oil  
Eastern, Arabian  
NEAD, IRD

Copies to:—

Mr. Gregory (Pawer)  
Mr. Derrick (T&E)

NOTHING TO BE WRITTEN IN THIS MARGIN

2/10  
11502  
2/10/68

W  
2/10



2

TOP COPY

CYPHER/CATA

CONFIDENTIAL

ROUTINE FOREIGN OFFICE

TO BAGHDAD

TELEGRAM NUMBER 301

2 OCTOBER 1968 (COD)

CONFIDENTIAL.

YOUR TELEGRAM NUMBER 291 OF 1 OCTOBER: IRAQ OIL.

WE HAVE GIVEN IRAQ PETROLEUM COMPANY GIST OF YOUR TELEGRAM NUMBER 292. THIS TALLIED BROADLY WITH THEIR OWN INFORMATION FROM ROAD.

2. IPC GROUPS ARE STILL CONSIDERING WHAT THEIR NEXT MOVE MIGHT BE, AMONGST OTHER THINGS WHETHER OR NOT TO STIMULATE THE MINISTER OF OIL INTO EXPRESSING DIRECT TO THE IPC HIS APPARENT READINESS FOR TALKS. IN THE MEANTIME HAHN IS REMAINING HERE.

SOSFA.

DEPARTMENTAL DISTRIBUTION:

C.O.D.  
EASTERN DEPT  
ARABIAN DEPT

N.E.A.D.

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cc:cc:cc:cc:cc:cc:cc:

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P.A.  
10/10.



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(Date) 2/10

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—if any]

[Codeword—if any]

Addressed to BAGHDAD

telegram No. (date)

And to

repeated for information to

Saving to

Your telegram No. 291 [of 1 October] : Iraq Oil.

We have given Iraq Petroleum Company gist of  
your telegram No. 292. This tallied broadly with  
their own information from Road.

2. IPC Groups are still considering what their  
next move might be, amongst other things, ~~for example~~ whether <sup>or not to</sup> ~~they might~~  
~~in some way~~ stimulate the Minister of Oil <sup>into</sup> ~~to~~ expressing  
direct to the IPC his apparent readiness for talks.  
In the meantime Hahn is remaining here.

Draft Telegram to:—  
BAGHDAD

No. 301

(Date) 2/10

And to:—

Repeat to:—

Saving to:—

Distribution:—  
Departmental

Commodities & Oil  
Eastern,  
Arabian, NEAD

Copies to:—  
Mr. Gregory,  
Min. of Power  
Mr. Derrick  
Treasury

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W  
2/10

15402/2



CONFIDENTIAL

3

12/2

*M<sup>2</sup> Fearnley*  
*register & resubmit.*



*for dfr. reply psc.*

*W*

*4/10.*

BRITISH EMBASSY,  
BAGHDAD.

28 September 1968

*OD 193/7*

*Deag (Ellingworth)*

Possible leak of information about the  
Iraq Petroleum Company's (IPC's) affairs

*Flag A*

*(163)*

F. O. telegram No. 287 to Baghdad mentioned in paragraph 6  
IPC's fear of a leak of information about matters being discussed  
between them and the Iraq Government.

2. As you know, until the break in relations with Syria and Iraq in  
June 1967, confidential messages between the IPC offices in Damascus  
and Baghdad and their head office in London were in exceptional  
circumstances sent in cypher over Foreign Office communications channels.  
This could not continue of course when we no longer had Embassies in  
the two Arab capitals, and the Company must have found alternative  
secure means. You may have noticed that IPC have not asked us to pass  
messages on their behalf between Baghdad and London since the re-  
opening of this post, and we had assumed that this was merely because  
the need had not arisen or that they had established their own con-  
fidential channel. The mention in the telegram under reference of  
possible leaks has however led us to wonder whether there was more than  
we thought at the time in a remark made by an IPC man here soon after  
our return in May. He had had a bit too much to drink, but what he  
said amounted to saying that the Company had reason to think that  
information passed over our channels prior to June 1967 had become  
known to the Iraqis and that the Company would not ask our help again.  
If the Company indeed have doubts about the security of our communi-  
cations it is not surprising that they should be reluctant to use our  
channels; it may also go some way to explain why they are less than  
frank with you and us on occasion.

3. To judge by what the last Chief Local Representative told the  
Ambassador, the Company do not have their own wireless link between  
Baghdad and London (though they had one, it seems, between Tartous  
and London) and ~~that~~ they use the Iraqi P.T.T. channel, presumably  
in code. Or perhaps the French Embassy obliged during our absence?

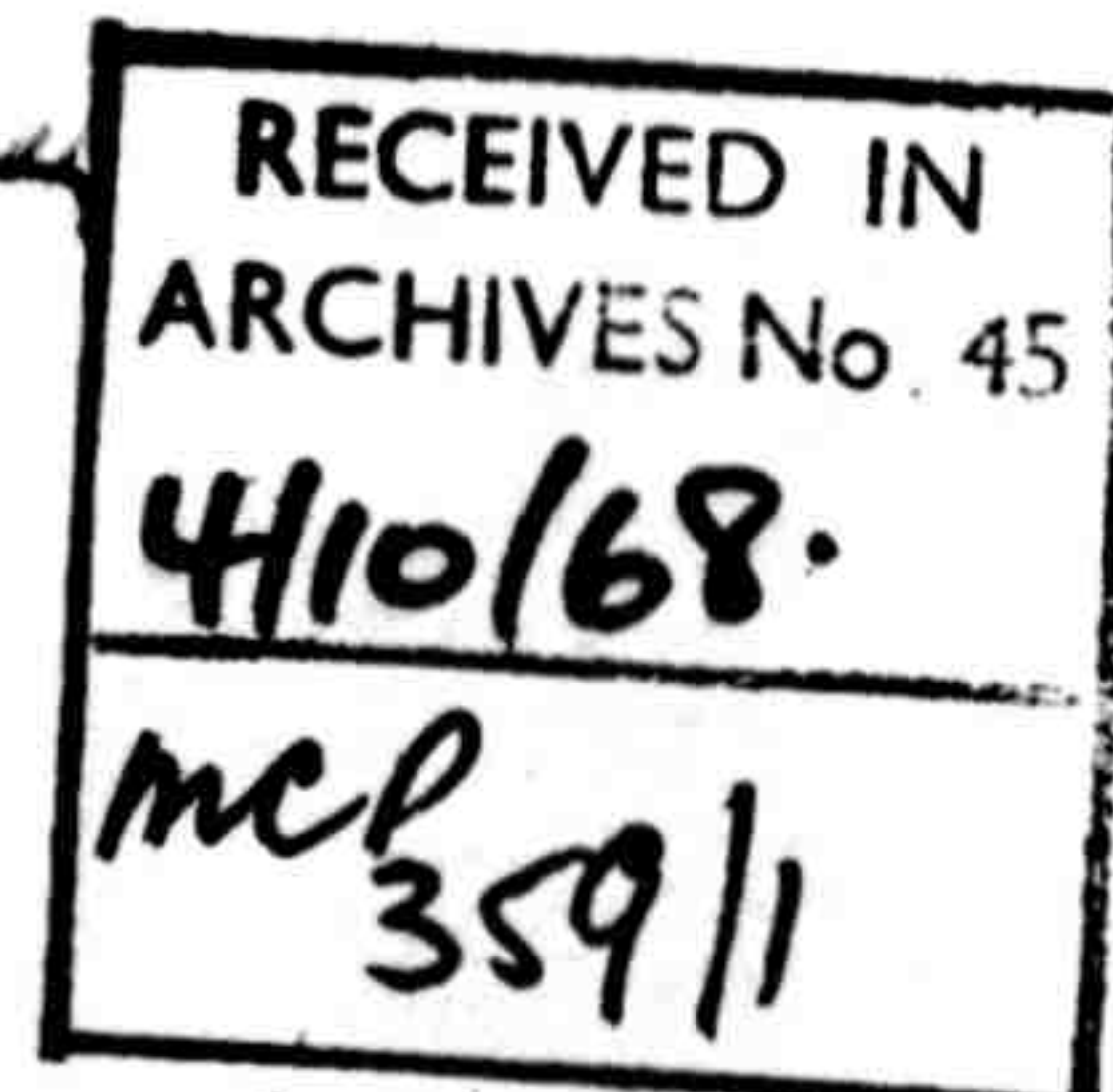
*Yours ever,*

*Philip McKearney*

(P. McKearney)

R. H. Ellingworth, Esq.,  
Oil Department,  
Foreign Office.

*Ellingworth*



*X My impression is that recently confidential ~~mail~~ messages*  
*have been conducted orally in London after the Baghdad rep.*  
*has returned.*

CONFIDENTIAL



W 2/10  
Mr. Fearnley

CONFIDENTIAL

Reference.....

(4)

283

(166) OD 193/7.

Baghdad telegram no. 251: Iraqi Oil

In your absence, I telephoned Mr. Dalley this afternoon to give him the contents of this telegram. Mr. Dalley noted with particular care the latter part of paragraph 2 about royalty expensing and the ~~double~~ <sup>total</sup> Iraqi claim; the allegation in paragraph 4 that the company representatives "would use delaying tactics" and if so what the consequences would be; and the Minister's point, reported in paragraph 7 of the telegram, that he and his colleagues had done their homework and were ready for talks at any time.

2. Mr. Dalley said that the IPC was faced with a difficult problem of judgment and that they were not yet of one mind. He and Mr. Hahn tended to think that it would be wise to take the opportunity afforded by recent Iraqi overtures and try again to reach a settlement. Certain shareholders, however, - and he made it clear that these were American ones - were firmly against further talks. Mr. Dalley said that he was by no means sure that his own opinion was right. It would certainly be very awkward if the Company having engaged in further talks found there was no basis for an agreement with the Iraqis. Their difficulties in reaching an agreed policy were increased by the conflicting opinions reaching them from the Iraqi side. By contrast with what the Minister was now saying to the Ambassador, the Under-Secretary in the Ministry of Oil, Ghulam Hussain, had advised them that the time was not yet ripe.

3. I asked Mr. Dalley if he would let us know if and when firm arrangements were made for the despatch of a negotiating team so that we might tell the Ambassador. In response to my question, Mr. Dalley said that there was no points he wished us to pass back to Baghdad at present.

Copy to

Mr. Gallagher

*Eastern Dept.*

*p.w. &*

*p.a.*

*W.H. 2/10*

*R.H. Ellingworth*  
(R.H. Ellingworth)  
30 September, 1968



Mr. Kearney

I attach a draft reply to Mr. McKearney  
on the lines we discussed.

W. W. W. W.  
9/10.

Easter Dept a.a.



Confidential.

Reference.....

(5)

M<sup>2</sup> ~~Fearnley~~

I.P.C.

Further to my minute of yesterday, M<sup>2</sup> Dalley telephoned to seek clearance to pass on to shareholders the gist of what I had told him about the Ambassador's interview with the Minister of Oil. He said that this had sometimes been done before and that it seemed important to tell shareholders of this talk so that they could be properly informed of the indications of Iraqi intentions.

2. In discussion, we agreed that the Minister would certainly have intended his remarks to get back to the company and its shareholders. It seemed to me also that H.M. Ambassador would



would in no way be embarrassed  
if, for example, his French colleague  
came to learn of the call through  
C.F.P. There was nothing sensitive  
in what either side had said.

3. I therefore did not raise  
objection to M<sup>r</sup> Dalley passing  
on in confidence what I had told  
him.

W. Ellingworth  
2/10.

Mr. Ellingworth

We spoke. I fully agree that  
this is one of those occasions when we should  
pass information to IPC for the confidential  
information of the Groups as a whole. I  
have sent a short letter  
to Baghdad on the lines  
we discussed.

J. V. J. J. J.  
2/10.

p.w. & p.a.

W. Ellingworth  
2/10



CONFIDENTIAL

(6)

12/2



BRITISH EMBASSY,  
BAGHDAD.

28 September 1968

reg & resubmit

4/10/10.

Dear Ellingworth,

Iraq Petroleum Company (I.P.C.)

F. O. telegram No. 287 to Baghdad.

OD 193/7.

(163)

2. For the record, you should know that the source of the information reported in our telegram No. 269 about Hahn's conversation with the Minister of Oil on 19 September was not Hahn himself but Sinclair Road, who was also present. Hahn left subsequently for Beirut.

(162)  
193/7.

Yours ever,

P. H. P. McKearney

(P. McKearney)

R. H. Ellingworth, Esq.,  
Oil Department,  
Foreign Office.

c.c. Beirut  
The Hague  
Paris  
Tehran  
Washington

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Information recorded on tel.  
under reference.  
P.O.  
J.W. 10.

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7

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MC

CONFIDENTIAL

CYPHER CAT A  
ROUTINE BAGHDAD  
TELEGRAM NUMBER 303

TO FOREIGN OFFICE  
7 OCTOBER 1968

CONFIDENTIAL

ADDRESSED TO FOREIGN OFFICE TELNO 303 OF 7 OCT REPTD FOR INFMN  
SAVING TO BEIRUT, THE HAGUE, PARIS, TEHRAN AND WASHINGTON.

① YOUR TELNO 300: IRAQI OIL.

- 1 YESTERDAY CALLED ON THE IRAQI DEPUTY PRIME MINISTER/ MINISTER OF DEFENCE, GENERAL TAKRITI, AND LATER ON THE IRAQI PRESIDENT, GENERAL BAKR, TO INTRODUCE MR ARTHUR, THE ASSISTANT UNDER SECRETARY OF STATE DESIGNATE WHO WILL BE RESPONSIBLE FOR MIDDLE EAST AFFAIRS.
2. GENERAL TAKRITI RECALLED THAT HE HAD ASKED FOR OUR HELP OVER THE PROPOSAL THAT THE IPC SHOULD NOW PAY PART OF THE MONEY OWING TO THE IRAQI GOVERNMENT UNDER THE HEADING OF ROYALTY EXPENSING, AND RATHER COMPLAINED THAT ALTHOUGH NEARLY TWO MONTHS (SIC) HAD PASSED HE HAD RECEIVED NO REPLY. I MADE THE POINT THAT THE ISSUES INVOLVED WERE CONSIDERABLE AND COULD NOT BE SOLVED OVERNIGHT, ADDING THAT IF PROGRESS COULD BE MADE ON OTHER ISSUES, THE COMPANY MIGHT BE MORE READY TO MEET THE IRAQI GOVERNMENT OVER ROYALTY EXPENSING. GENERAL TAKRITI SAID THAT THE IRAQI GOVERNMENT TOO WERE ANXIOUS FOR A SETTLEMENT AND HE KNEW WHAT THEY HAD IN THEIR MINDS.

/3.

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RECEIVED IN ARCHIVES No. 45 8/10/68 MCP 359/1
--

Cost passed to PC.  
Now see out tel to B'dad.  
P.A.  
Jwq/w.



CONFIDENTIAL

-2-

3. PRESIDENT BAKR ALSO RAISED THE QUESTION OF ROYALTY EXPENSING AND CLEARLY FOUND IT DIFFICULT TO UNDERSTAND WHY PAYMENTS WHICH THE COMPANY ADMITTED WERE DUE WERE HELD UP. MR ARTHUR EXPLAINED THAT NEGOTIATIONS FOR A ROYALTY EXPENSING AGREEMENT IN KUWAIT HAD TAKEN TWO YEARS AND I REMINDED THE PRESIDENT THAT THE COMPANY HAD CLAIMS AGAINST THE IRAQI GOVERNMENT, IN PARTICULAR A CLAIM OF COMPENSATION IN RESPECT OF CONCESSION AREAS OF WHICH THEY HAD BEEN DEPRIVED BY RECENT LEGISLATION. PRESIDENT BAKR ALSO SAID THAT THE COMPANY HAD GIVEN THE PREVIOUS GOVERNMENT OF TAHIR YENYA AN ADVANCE OF ID 10M. I MADE IT CLEAR TO HIM THAT THIS WAS A SEPARATE MATTER.

4. I WILL INFORM THE LOCAL IPC REPRESENTATIVE OF THE FOREGOING.

F.O. PASS SAVING TO BEIRUT, THE HAGUE, TEHRAN, PARIS AND WASHINGTON.

MR. EVANS

[REPEATED AS REQUESTED]

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N.E.A.D.

I.R.D.

CONFIDENTIAL



18

CONFIDENTIAL

CYPHER/CAT -A- & BY BAG

ROUTINE FOREIGN OFFICE

TELEGRAM NUMBER 323

TO BAGHDAD

8 OCTOBER 1968 (C. & O.D.)

CONFIDENTIAL.

ADDRESSED TO BAGHDAD TELEGRAM NUMBER 323 OF 8 OCTOBER REPEATED FOR INFORMATION SAVING TO BEIRUT THE HAGUE PARIS TEHRAN WASHINGTON.

YOUR TELEGRAM NUMBER 323. — (7)

WE HAVE TOLD THE IRAQ PETROLEUM COMPANY, FOR THE CONFIDENTIAL INFORMATION OF THE GROUPS, OF YOUR EXCHANGES WITH THE IRAQI PRESIDENT AND DEPUTY PRIME MINISTER. (ON POINTS OF DETAIL, THE COMPANY HAS NOT ADMITTED, PENDING FURTHER NEGOTIATION, THAT ROYALTY EXPENSING PAYMENTS ARE DUE AND HAS NOT FORMALLY MADE A CLAIM FOR COMPENSATION FOR THE EX-PROPRIATED TERRITORY).

2. THE GROUPS HAD ALREADY DECIDED TO SEND AN EXPLORATORY MISSION, CONSISTING OF SUTCLIFFE (BP) AND McDONALD (MOBIL), TO BAGHDAD ON 12 OCTOBER. THE MISSION WILL COME OUT APPARENTLY WITHOUT FORMAL ADVANCE NOTICE TO THE IRAQIS, BUT WOULD HOPE TO MAKE INFORMAL CONTACT WITH THE MINISTER OF OIL FOLLOWING THE FEELERS THE LATTER HAS PUT OUT IN RECENT WEEKS THROUGH I P C'S BAGHDAD MANAGEMENT AND YOURSELF. MISSION WILL HAVE NO FORMAL TERMS OF REFERENCE AND WILL PLAY THINGS BY EAR, BASING THEMSELVES ON THE GENERAL APPROACH I P C HAVE BEEN MAKING TO THE PROBLEM IN THE LAST FEW MONTHS, E.G. FOREIGN OFFICE TELEGRAMS TO BAGHDAD NUMBER 47 SAVING AND NUMBER 227. (THE SUGGESTION THAT I P C MIGHT ACT AS CONTRACTOR IN NORTH RUMAILA, DESCRIBED IN THE LATTER TELEGRAM, HAS NOT BEEN TAKEN FURTHER BY THE IRAQIS).

SOSFA

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RESEARCH DEPT.

I.R.D.

GUIDANCE DEPT.



p. a. 11  
RMZ 10

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~~Secret~~  
~~Confidential~~  
~~Restricted~~  
~~Unclassified~~

JTF  
8/10

~~Flash~~  
~~Immediate~~  
~~Priority~~  
~~Routine~~

(Date) 9-10-68

Despatched 0450Z

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~~Code~~  
~~Cypher~~

[Security classification  
—if any]

CONFIDENTIAL

[Privacy marking  
—if any]

[Codeword—if any]

Addressed to BAGHDAD

telegram No. 320 (date) 8 October

And to

Saving  
repeated for information to BEIRUT THE HAGUE  
PARIS TEHRAN WASHINGTON

Saving to

Your telegram No. 303 [of 7 October] :

[Iraq Oil.]

We have told the Iraq Petroleum Company, for the confidential information of the Groups, of your exchanges with the Iraqi President and Deputy Prime Minister. (On points of detail, the company has not admitted, pending further negotiation, that royalty expensing payments are due and has not formally made a claim for compensation for the expropriated territory.)

2. The Groups had already decided to send an exploratory mission, consisting of Sutcliffe (BP) and McDonald (Mobil), to Baghdad on 12 October. The mission will come out apparently [even] without formal advance notice to the Iraqis, but would hope to make informal contact with the Minister of Oil following the feelers the latter has put out in recent weeks

/through

CONFIDENTIAL

Draft Telegram to:—

BAGHDAD

No. 320

(Date) 8/10

And to:—

Saving  
Repeat to:

BEIRUT  
THE HAGUE  
PARIS  
TEHRAN  
WASHINGTON

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Copies to:—

A.T. Gregory,  
Min of Power  
F.P.B. Derrick,  
Treasury.

NOTHING TO BE WRITTEN IN THIS MARGIN

*Handwritten:*  
JTF  
8/10  
8/10/68



CONFIDENTIAL

through IPC's Baghdad management and yourself.

Mission will have no formal terms of reference and will play things by ear, basing themselves on the general approach IPC have been making to the problem in the last few months, e.g. Foreign Office telegram<sup>s</sup> to Baghdad No. 47 Saving and No. 287.

(The suggestion that IPC might act as contractor in North Rumaila, described in the latter telegram, has not been <sup>taken further</sup> ~~pursued~~ by the Iraqis.)

*Deftl.*

*lt  
8/10.*

NOTHING TO BE WRITTEN IN THIS MARGIN

CONFIDENTIAL



with 9

A N N E X

Iraq Petroleum Company (IPC)

Chronology

1961. Iraqi Law 80. Purported to deprive the IPC of 99.56% of the territory to which it held rights, i.e. of all areas not actually being worked by the company. The IPC was in this way deprived of, inter alia, the North Rumaila field which, although proven and with a few wells drilled, was not yet being exploited.

1964. Law 11 established the Iraq National Oil Company (INOC).

1965. Negotiations between the IPC and Iraq Government produced full-blown and initial agreements (known as the "Wattari Agreements"), but the Iraqis failed to ratify them. These would inter alia have returned the North Rumaila field to IPC for exploitation under its existing concessionary arrangements. They also provided for the establishment of a joint company, to be known as the Baghdad Oil Company, by INOC and IPC shareholders (other than Esso) to explore for oil in certain areas outside the territory retained by the IPC.

Early 1967. ENI (Italian parastatal) approached Iraq Government with an offer to exploit North Rumaila. HMG with Americans, French and Dutch protested strongly to Italian Government.

August 1967. Law 97 passed. This allocated to INOC the territory expropriated from the IPC, including North Rumaila, and specified that INOC should not exploit the area allocated to it by way of conventional concessions. HMG, as the parent Government of the IPC and at the IPC's request, protested formally through diplomatic channels. Protest rejected (but not thereby nullified).

Late 1967. French Government sought to turn their favoured position in the Arab world to their advantage. Interventions by both Compagnie Francaise des Petroles (CFP) - although an IPC shareholder - and Entreprise de Recherches and d'Activites Petrolieres (ERAP), the French parastatal oil company. CFP's attempt unsuccessful, but ERAP made a deal with INOC for the exploration of 11,000 square kilometres of Iraq territory other than North Rumaila (part of it offshore). (This was ratified in 1968 and despite some criticisms has been upheld in spite of recent changes of government in Iraq.)

/December 1967.



December 1967. IPC sought unsuccessfully to negotiate a settlement within the framework of Law 97 of 1967. Also in December 1967, a Soviet delegation and the Iraq Government exchanged Letters of Intent providing for Soviet assistance in oil exploration and development. These have not so far been taken any further.

June 1968. IPC negotiating team visited Baghdad. Agreement reached on extra payments to the Iraq Government for exports of North Iraq crude from the Mediterranean terminals to allow for the improved market value of such oil following the closure of the Suez Canal.



(9)  
with Annex.

Iraq Oil

Background

Flag A Attached at annex is a brief chronology of some of the main developments in IPC affairs over the past eight years. The complicated manoeuvring over the winter of 1967/68 is described in greater detail in Guidance No. 16 of 17 January 1968. Foreign Office  
Flag B telegram No. 47 Saving of 27 June 1968 summarises the  
Flag C situation after the additional payments made that month.

2. The basic divergence between the two sides springs from Law 80 of 1961. The IPC line is that negotiations should work towards a package settlement, with the question of the acreage expropriated by the Iraqis, particularly North Rumaila, being part of that settlement. (The IPC's latest broad philosophy on this is described in paragraphs 6 and 7 at Flag C.) The Iraqis, however, have been adamant, especially since June 1968, in their insistence that the acreage issue is not a matter for negotiation. (HMG's view of Law 80 and other related Iraqi legislation were conveyed in the protest Note of August 1967. Text in FO telegram  
Flag D No. 815 to Stockholm).

Iraqi claims and IPC counter-claims

3. Claims by the Iraqis against the IPC arise largely because of this deadbck, and fall under three main headings:-

- Flag E
- (a) Royalty Expensing. The effect of this system is explained on pages 26 and 27 of "The British Interest in Oil". It has never been applied in the case of Iraq and the amount due, on the basis of backpayments to the introduction of the system elsewhere in the Middle East in 1964, is probably now about £50 million.
  - (b) Other Accounting issues. In the abortive settlement of 1965, agreement was reached on a whole range of long-standing accounting disputes in respect of which IPC undertook to make a lump-sum backpayment of more than £20 million. (Largely as a "sweetener" in the context of an overall settlement.) However, since the agreement was never ratified, the sum was never paid and the issues concerned have remained in suspense.

(In a separate category) (c) Production. Since the IPC's operations are the main source of the  
/Iraq



Iraq Government's income, the company is likely to be pressed to maximise production. There is not, however, much scope for further large increases from the fields from which IPC is currently producing, especially from the company's northern fields, without further considerable investment.

4. Although the IPC would be unlikely to dispute the validity of an Iraqi claim for royalty expensing (4(a) above) they cannot afford to agree to paying it pending a settlement of the overall dispute, especially that affecting North Rumaila.

#### Prospects

5. Mr. Dalley's visit to Baghdad last August was primarily in connexion with the change of the IPC representative there. He received the firm impression from the Minister of Oil that the Iraqis would not be ready for negotiations for at least two months.

Oil Department.

24 September, 1968



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Reference.....

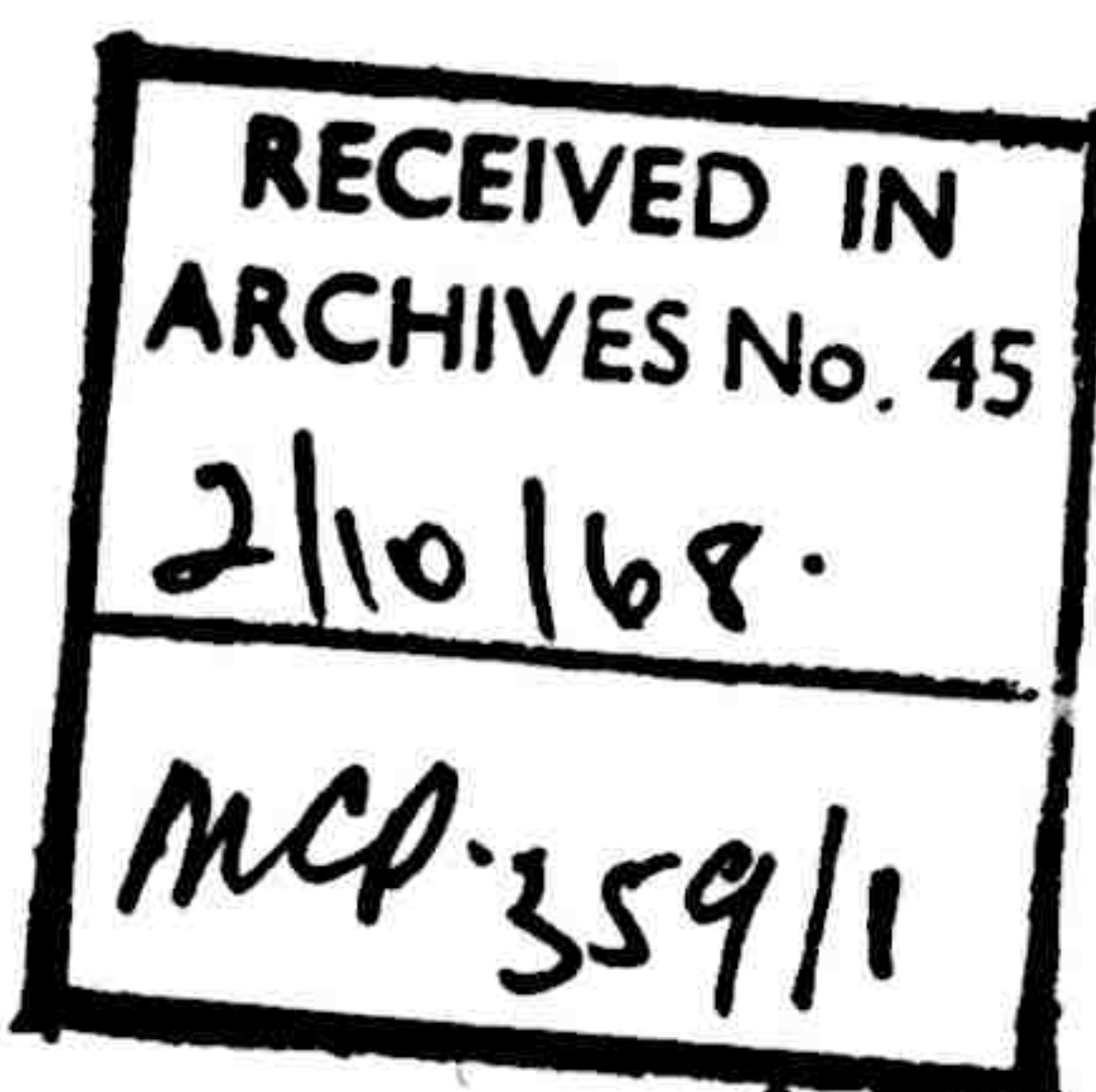
(90)

Mr. Ellingworth

*now detached 24/9*  
*W.R.*

Thank you for the attached papers.

2. The position, as I see it, is that the IPC are prepared to make certain back payments to the Iraqi Government subject to negotiations. They are not, however, prepared to pay part of the money now as a goodwill gesture and to leave the balance to be settled in the course of talks between the Company and the Iraqi Government. If this is broadly correct, it would be helpful for me to know how the claim against the IPC arises; what are the component parts; what sum the Company are prepared to concede that they will eventually have to pay to the Iraqi Government; and whether negotiations are likely to take place in the near future.



*F.G.K. Gallagher*  
(F.G.K. Gallagher)  
17 September, 1968.

*M<sup>2</sup> Gallagher*

Your understanding is correct. It is true that the IPC made a payment, partly as a goodwill gesture, in June this year, but they tell us they have no intention of making any further payments at present.

2. I attach a memorandum about Iraqi oil which covers I hope the scope



Scope of your enquiry, with apologies  
that it has taken a little time to  
produce this.

AM Ellingworth

24/9/68.

Mr. Ellingworth

Thank you. This very useful account of the  
background and present position will no doubt be helpful  
to your new arrivals as it has been to me.

28/9

1. Refs detached.

3. b/v 30/10/68.

2. reg + p.a.

Per m/s

AM 30/9



TRANSFERED TO :-

MCP 415/2.



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12

CYPHER CAT A  
ROUTINE BAGHDAD  
TELEGRAM NO 334

TO FOREIGN OFFICE.  
16 OCTOBER 1968.

MC

CONFIDENTIAL.

ADDRESSED TO FO TELEGRAM NO 334 OF 16 OCTOBER REPEATED FOR  
INFORMATION SAVING TO BEIRUT THE HAGUE PARIS TEHRAN AND WASHINGTON.

8 YOUR TELEGRAM NO 328: IRAQI OIL.

HAHN AND ROAD CALLED THIS MORNING. THEY TOLD ME THAT THE GROUP  
REPRESENTATIVES WOULD BE ARRIVING THIS EVENING AND THAT THEY HAD SO  
INFORMED MINISTER OF OIL YESTERDAY. THEY HAD TAKEN THE LINE THAT THE  
GROUP REPRESENTATIVES HAD BEEN EXPECTING AN INVITATION BUT HAD  
FINALLY DECIDED TO WAIT NO LONGER AS ONLY GOOD COULD COME OF AN  
EXCHANGE OF VIEWS. (ROAD HAD LEARNED EARLIER THAT MINISTER HAD BEEN  
DEBATING WHETHER TO ISSUE AN INVITATION OR NOT). THEY HAD EMPHASISED  
THAT THE TALKS WOULD BE EXPLORATORY AND WITHOUT COMMITMENT AND THAT  
THEY SHOULD NOT GIVE RISE TO FALSE HOPES.

2. THE MINISTER, WHO WAS RELAXED AND FRIENDLY, SAID HE WELCOMED THE  
VISIT. TO THEIR SURPRISE HE MADE NO MENTION OF MONEY MATTERS.

3. HAHN TOLD ME THAT HE WAS ENCOURAGED BY REPORTS HE HAD RECEIVED  
FROM WELL-PLACED LEBANESE FRIENDS WHO TOOK THE VIEW THAT THE PRESENT  
REGIME WAS HERE TO STAY AND THAT IPC SHOULD DO BUSINESS WITH THEM. HE  
THOUGHT THAT THE RECENT ARRESTS POSSIBLY INDICATED STRENGTH RATHER  
THAN WEAKNESS. HE MAY WELL BE RIGHT - PLEASE SEE PARAGRAPH 4 OF MY  
TELEGRAM NO 252. ON THE OTHER HAND, I SUGGESTED THAT THE VIEWS OF  
THE LEBANESE WERE AT PRESENT POSSIBLY COLOURED BY THEIR AND THE IRAQI  
DISLIKE OF SYRIA.

4. BOTH HAHN AND ROAD CONTINUE TO BE FAVOURABLY IMPRESSED BY THE  
MINISTER'S PERSONALITY. HAHN SAID THAT HE THOUGHT IT ENCOURAGING THAT  
IN A PREVIOUS INTERVIEW HE HAD HAD THE COURAGE TO GRASP THE NORTH  
RUMAILA NUTTLE. THIS WAS NEAREST THEY GOT TO SPEAKING OF THE CONTRACT  
ARRANGEMENT REFERRED TO IN PARA 3 OF YOUR TELEGRAM NO 287. 163

FO PASS SAVING TO BEIRUT THE HAGUE PARIS TEHRAN AND WASHINGTON. 143/7.

MR EVANS.

[REPEATED AS REQUESTED]

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CYPHER/CAT A  
ROUTINE BAGHDAD  
TELEGRAM NUMBER 336

TO FOREIGN AND COMMONWEALTH OFFICE  
17 OCTOBER 1968

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ADDRESSED TO F C O TELNO. 336 OF 17 OCTOBER, R F I  
SAVING TO BEIRUT THE HAGUE PARIS TEHRAN AND WASHINGTON.

MY TELNO. 334 : IRAQI OIL. —

12

SUTCLIFFE AND MCDONALD CALLED THIS MORNING AND I BRIEFED  
THEM ON THE LOCAL POLITICAL SITUATION.

2. WE DISCUSSED TACTICS. SUTCLIFFE AND MCDONALD SEEMED TO  
THINK THAT THERE WOULD BE ADVANTAGE IN THEIR EXPLAINING THE  
COMPANY'S POSITION TO TOP POLITICAL FIGURES, PARTICULARLY  
PRESIDENT BAKR AND GENERAL TAKRITI, PERSONALLY RATHER THAN  
INDIRECTLY THROUGH THE MINISTER OF OIL. THEY RECALLED THAT  
AL-WATTARI, MINISTER OF OIL IN 1965, WAS AN EMINENTLY  
REASONABLE MAN AND IT HAD BEEN POSSIBLE TO REACH AGREEMENT WITH  
HIM, BUT HE HAD NOT BEEN ABLE TO CARRY THE PRESIDENT AND OTHER  
POLITICAL LEADERS WITH HIM. THEY DO NOT WANT THIS TO HAPPEN  
AGAIN. I TOLD THEM THAT I THOUGHT IT WAS POSSIBLY A GOOD MOVE  
TO ASK TO SEE PRESIDENT BAKR AND THAT GENERAL TAKRITI WOULD  
PROBABLY BE PRESENT. THEY REALISED  
THAT THEY HAD TO BE CAREFUL NOT TO ANTAGONISE THE MINISTER OF OIL  
AND I SUGGESTED THAT THEY MIGHT ASK HIM TO FIX THE INTERVIEW.

3. AS REGARDS SUBSTANCE, MCDONALD SAID HE WAS DOUBTFUL  
WHETHER THE CONTRACT ARRANGEMENT PROPOSED BY THE MINISTER OF OIL  
WAS A STEP FORWARD IN THE MATTER OF NORTH RUMAILA. AS EXPECTED

/MCDONALD

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-2-

MCDONALD TOOK A TOUGH AND LEGALISTIC VIEW, HARPING BACK TO SOMETHING ON THE LINES OF THE WATTARI AGREEMENT. THE COMPANY HE SAID, HAD INVESTED HEAVILY IN NORTH RUMAILA AND SHOULD SOMEHOW WITHIN THE LAW REGAIN POSSESSION OF THE OIL: IF THIS PROVED POSSIBLE THE COMPANY WOULD DO EVERYTHING TO HELP IRAQ EXPLOIT OTHER CONCESSIONARY AREAS WHICH THEY WOULD BE PREPARED TO GIVE UP. I TOLD THEM THAT HOWEVER STRONG THEIR CASE LEGALLY THE POLITICAL REALITIES HAD TO BE BORNE IN MIND AND THAT ANY GOING BACK ON LAW 80 ETC. WAS POLITICALLY DIFFICULT THE CONTRACT ARRANGEMENT PROPOSED BY THE MINISTER OF OIL MIGHT NOT IN ITSELF BE A GREAT STEP FORWARD BUT IT DID POSSIBLY REPRESENT AN OPENING WHICH SHOULD BE EXPLORED.

4. THEY PROBABLY HOPE THAT GENERAL TAKRITI IS TOUGH AND STRONG ENOUGH TO GIVE THE MINISTER OF OIL A GLIMMER OF A GREEN LIGHT AND THAT AS A RESULT , THE MINISTER OF OIL CAN THEN GO AHEAD. THE COMPANY WERE CONFIDENT, THEY SAID, THAT IF THEY WERE GIVEN THE CHANCE, THEY COULD WORK OUT THE DETAILS OF A SETTLEMENT WHICH WOULD SATISFY BOTH PARTIES.

5. THEY ARE SEEING THE MINISTER OF OIL TOMORROW.

FC O PLEASE PASS SAVING TO BEIRUT THE HAGUE PARIS TEHRAN AND WASHINGTON

MR. EVANS

[REPEATED AS REQUESTED]

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1. Guler  
2. Guler Sept. 23/10

14

(MCP 359/1)

FOREIGN AND  
COMMONWEALTH OFFICE,

S. W. 1.

3

Thank you for your letter 12/2 of 28 September to Dick Ellingworth about IPC communications.

2. The remark by the IPC man in his cups was interesting, but I do not think we should read too much into it and certainly not in connexion with the situation described in FO telegram No. 287 to Baghdad. On that occasion everybody concerned, Groups as well as IPC management, were playing their cards close to their chests. I still think they should have come clean more readily, but their caution in the circumstances was to a degree understandable.

3. The IPC management in recent years have been less forthcoming than they were when I last dealt with oil affairs in the Office, largely because of changes of personalities. (On this score you may now find Hahn more buttoned up than Jaekli.) We have to do a good deal of ferreting on occasion, but - to be fair - the management's weakness in communication here is often due more to forgetfulness than to unwillingness.

4. When the Embassy closed at the break in relations IPC were in fact very put out by the disappearance of our confidential channel. The management discussed at some length with me possible alternatives, but in the end decided against on the grounds of inefficiency and lack of the security they had enjoyed with us. (I have no doubt they meant this last point.)

5. When you first reopened the Embassy I warned IPC that you would not be in a position, for housekeeping reasons, to carry any substantial traffic for them in the early stages, but that we would readily consider helping them again later if they wished. I have heard nothing from them since on this.

6. During the diplomatic break IPC refined other means of confidential communication (extra 'couriers', personal and teleprinter consultations in Beirut, visits to London). These seem to serve their purposes well, but I do not exclude the possibility of their asking to use our channels again if things hot up.

P. McKearney Esq.,  
HM Embassy,  
BAGHDAD.

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RM 28/10.  
M. Ellingworth  
p.a. J. Olsen's info.

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7. Having said all that, obviously both we and you must treat the information we get from IPC with the proper confidence. You will see that we quite often put conditions on the use of such information (as we do with oil company affairs in other countries). This is as much for all the other recipients of our telegraphic and other correspondence as anything. For the same reason please do not hesitate at your end to act similarly. Otherwise there is a danger of a leak by inadvertence.

(J.T. Fearnley)

**CONFIDENTIAL**



Confidential

Mr. McKeown  
Baghdad

Im

JTF.

Easton Dept. a.a.

Still think they should have come clean more readily, but their caution in the circumstances was to a degree understandable.

(On this score you may find Hahn more buttoned up than Jaechli.)

Thank you for your letter 12/2 of 28 September to Dick Ellingworth about IPC communications.

2. The remark by the IPC man in his auro was interesting, but I do not think <sup>and certainly not</sup> we should read too much into it ~~at least~~ in connexion with the situation described in FO telegram no. 287 to Baghdad.

On that occasion everybody concerned, Groups as well as IPC management, were playing their cards close to their chests.

3. The IPC management in recent years have been less forthcoming than they were when I last dealt with oil affairs in the Office, ~~due to~~ largely because of changes of ~~staff~~ personalities. We have to do a good deal of ferreting on occasion, but - to be fair - ~~the~~ the management's weakness in communication here is often due more to forgetfulness than to ~~some~~ unwillingness.

\* When the Embassy closed at the break in relations \* IPC were in fact very put out by the disappearance of an confidential channel. They

NOTHING TO BE WRITTEN IN THIS MARGIN



The management discussed at some length with us ~~the~~ possible alternatives, but in the end decided <sup>against</sup> on the grounds of inefficiency and lack of the security they had enjoyed with us. (I have no doubt they meant this last point.)

5. When you <sup>first</sup> reopened the Embassy I warned IPC that you would not be in a position, on housekeeping reasons, to carry any substantial traffic for them in the early stages, but that we would readily consider taking them again later if they wished. I have heard nothing since ~~about~~ on this. from them

~~The best is that~~ <sup>6</sup> During the diplomatic break IPC ~~developed~~ and refined, other means of confidential communication (extra ~~selected~~ 'couriers', personal and teleprinter consultations in Beirut, visits to London). These seem to serve their purposes well, but I do not exclude the possibility of their asking to use our channels again if things hot up.

7. Having said all that, obviously both we and you must treat the information we get from IPC with the proper confidence. You will see that we quite often put conditions on the use of such information. This is as much for all the other recipients of our telegraphic and other correspondence as anything. For the same reasons please do not hesitate at your end to act similarly. Otherwise there is a danger of a leak by inadvertence. (as we do with company oil affairs in other countries).

Let 17/10.



mcP 389/1

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15

CYPHER/CAT A  
ROUTINE BAGHDAD  
TELEGRAM NO. 342

TO FOREIGN AND COMMONWEALTH OFFICE  
20 OCTOBER 1968.

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RECEIVED IN ARCHIVES No 45 22 OCT 1968 mcP 359/1
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ADDRESSED TO F C O TELNO. 342 OF 20 OCTOBER R F I  
SAVING TO BEIRUT THE HAGUE PARIS TEHRAN AND WASHINGTON.

MY TELNO. 336 : IRAQI OIL.

13

GENERAL TAKRITI TELEPHONED ME YESTERDAY MORNING AND ASKED ME TO SEE HIM AT 06 P M THE SAME DAY. IT IS OF COURSE UNUSUAL FOR HIM TO TELEPHONE HIMSELF, ESPECIALLY ON THE FRIDAY HOLIDAY.

2. AS EXPECTED, HE WANTED TO TALK ABOUT OIL. HE SAID THAT THE MINISTER OF OIL, DR. RIFAI, HAD SEEN THE GROUPS' REPRESENTATIVES, MESSRS SUTCLIFFE AND MCDONALD, BUT THAT LITTLE PROGRESS HAD BEEN MADE. DR. RIFAI HAD REPORTED TO THE PRESIDENT AND THE PRESIDENT HAD ASKED HIM, TAKRITI, TO SPEAK TO ME.

3. TAKRITI SAID THAT THE IRAQI SIDE AGREED TO MY SUGGESTION (SIC) THAT A CONCESSION BY ONE SIDE SHOULD BE MATCHED BY THE OTHER. THE IRAQIS BELIEVED, HOWEVER, THAT THE COMPANY OWED THEM MONEY AND THAT PAYMENT OF AT LEAST PART OF THIS SHOULD BE THE FIRST STEP. THIS WOULD ENABLE THE GOVERNMENT TO MAKE A PARALLEL MOVE AND TO FACILITATE THE SOLUTION OF THE WHOLE PROBLEM. HE REPEATED THIS SEVERAL TIMES. HE ADDED THAT THE FIVE-MAN REVOLUTIONARY COUNCIL, WHICH WAS DEALING WITH OIL POLICY, BELIEVED THAT HE COULD FIND THE SOLUTION WITH HIS REVOLUTIONARY FRIENDS. (THE MINISTER OF FINANCE, ON WHOM THE COMMERCIAL COUNSELLOR AND I CALLED THIS MORNING, VOLUNTEERED THAT THE OIL QUESTIONS HAD NOT BEEN DISCUSSED IN THE CABINET.)

/....4. II WAS

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grd passed to 182  
p.a.  
J.W. 2/10



4. I WAS UNABLE TO SMOKE OUT WHAT (UNDERLINE THE NEXT THREE WORDS) QUID PRO QUO, IF ANY, THE IRAQIS HAD IN MIND.

I URGED HIM TO GET DR. RIFAI TO GIVE THE GROUPS' REPRESENTATIVES AT LEAST SOME IDEA OF WHAT HE PROPOSED. I REMINDED TAKRITI THAT MESSRS SUTCLIFFE AND MCDONALD REPRESENTED HARD-HEADED BUSINESSMEN AND THAT THE AGREEMENT WHICH HAD BEEN SO LABORIOUSLY NEGOTIATED WITH WATTARI IN 1965 HAD NOT BEEN SIGNED. THE COMPANY HAD INVESTED HEAVILY IN THE NORTH RUMAILA FIELD BUT IT HAD BEEN TAKEN FROM THEM BEFORE IT COULD BE PUT INTO PRODUCTION. IRAQ'S DEVELOPMENT POSSIBILITIES WERE VERY GREAT BUT OWING TO LACK OF CONFIDENCE INTERNATIONAL CAPITAL WAS UNABLE TO PLAY ITS PART. OIL PRODUCTION IN IRAQ HAD, AS A RESULT, REMAINED STATIONERY AT A PERIOD WHEN IT HAD MORE THAN DOUBLED IN NEIGHBOURING COUNTRIES. AND SO ON.

5. TAKRITI LISTENED ATTENTIVELY AND DID NOT DEMUR. BUT HE APPEARED OBSESSED BY THE IDEA THAT THE COMPANY OWED THE GOVERNMENT MONEY AND THAT THAT SHOULD BE SETTLED FIRST.

6. HE SAID THAT THE MINISTER OF OIL WOULD BE SEEING THE GROUPS' REPRESENTATIVES AGAIN.

7. I HAVE INFORMED SUTCLIFFE AND ROAD.

F C O PLEASE PASS SAYING TO BEIRUT THE HAGUE PARIS TEHRAN AND WASHINGTON.

MR. EVANS

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CYBER/CAT A  
PRIORITY BAGHDAD  
TELEGRAM NUMBER 347

TO FOREIGN AND COMMONWEALTH OFFICE  
22 OCTOBER 1968

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ADDS TO FCO TEL NO 347 OF 22 OCT REPTD FOR INFMN SVG TO  
BEIRUT PARIS WASHINGTON THE HAGUE AND TEHRAN.

MY TELEGRAM NO 342: IRAQI OIL. — (15)

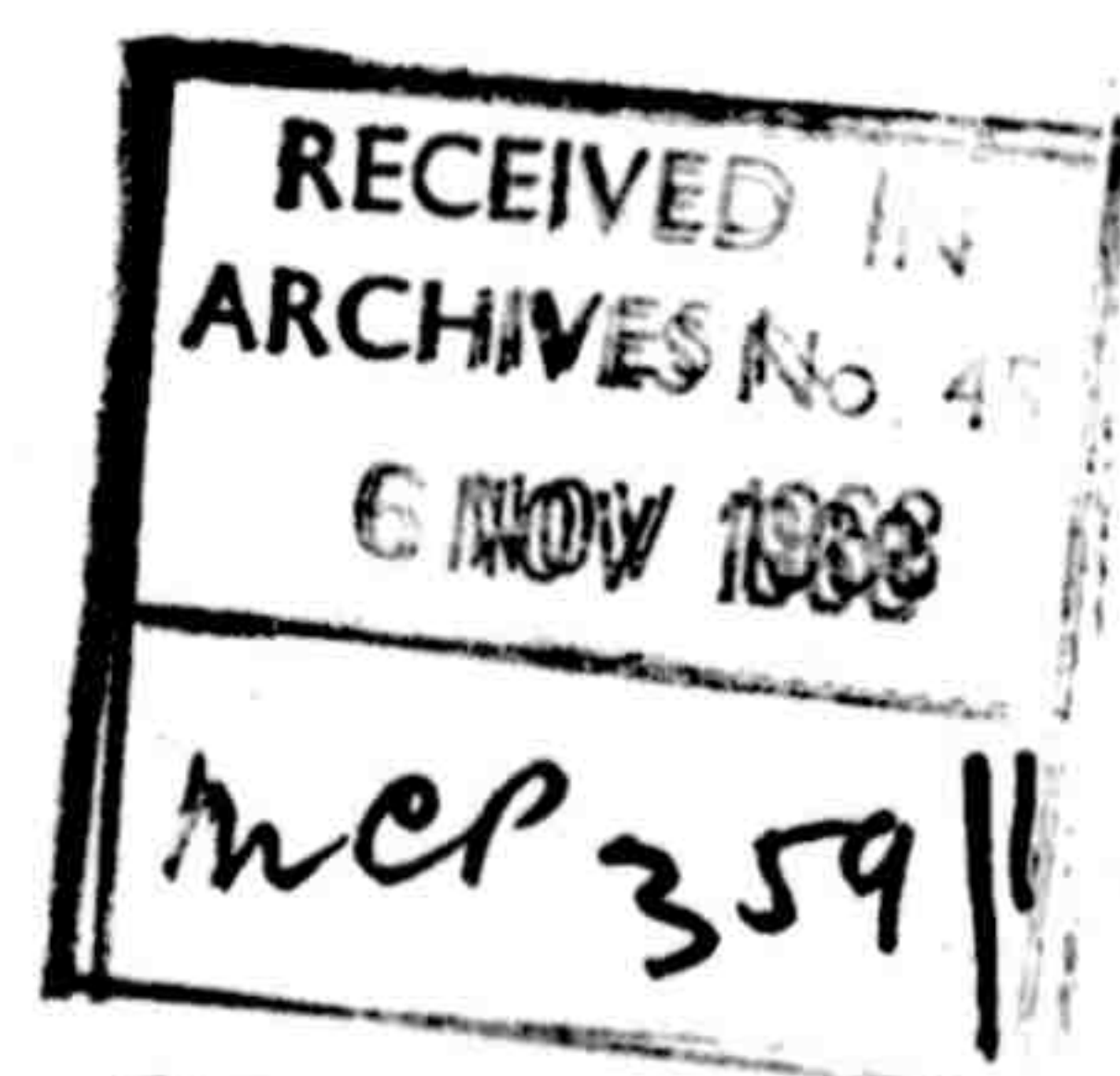
SUTCLIFFE AND ROAD CALLED ON ME ON 19 OCTOBER. COMMERCIAL  
COUNSELLOR WAS PRESENT.

2. SUTCLIFFE AND MACDONALD'S MEETING WITH THE MINISTER OF  
OIL ON 17 OCTOBER LASTED FOR THREE HOURS. THE MEETING WAS  
FRIENDLY BUT RIFAI GAVE NO SIGN OF WILLINGNESS TO NEGOTIATE.  
THE MEETING ENDED WITHOUT RIFAI OFFERING TO SEE THEM AGAIN AND  
WITHOUT SUTCLIFFE AND MACDONALD MAKING ANY REQUEST FOR A  
FURTHER MEETING OR FOR AN AUDIENCE WITH THE PRESIDENT.

3. IN DISCUSSING OUTSTANDING ISSUES SUTCLIFFE AND MACDONALD  
MADE IT CLEAR THAT FROM THE COMPANY'S POINT OF VIEW THERE  
WAS ONE MAJOR POINT OF PRINCIPLE, VIZ. THE QUESTION OF  
EXPROPRIATION AND LAW NO 80. THEY SUGGESTED THAT IF HE WERE  
IN THEIR SHOES RIFAI COULD NOT ACCEPT EXPROPRIATION WITHOUT  
COMPENSATION BECAUSE OF REPERCUSSIONS IN OTHER OIL PRODUCING  
COUNTRIES. RIFAI DID NOT DENY THIS, BUT COUNTERED BY SAYING  
THAT THE COMPANY HAD FOR ITS PART FALLEN DOWN ON THEIR OBLIGATIONS  
UNDER THE CONCESSION AGREEMENT. HE RAISED THE HARDY ANNUAL  
OF THE 20 PER CENT IRAQI SHARE IN THE EQUITY PROVIDED FOR AT

/ SAN REMO

SECRET



P.A.  
P. J. W.  
6/11



SECRET

-2-

SAN REMO. SUTCLIFFE POINTED OUT THAT THE IRAQI GOVERNMENT HAD DONE BETTER THAN IF THEY HAD HELD THIS SHARE OF THE EQUITY AND THAT SUBSEQUENT CONCESSION ARRANGEMENTS HAD BEEN WITH THE ASSENT OF THE IRAQI GOVERNMENT. RIFAI REPLIED SAYING THAT IT WAS NOT MERELY A QUESTION OF THE MONEY BUT ALSO OF IRAQI NATIONAL PRIDE. THEY WANTED A MORE DIRECT SHARE IN THE EXPLOITATION OF THEIR OWN OIL. (THIS POINT HAD POSSIBLY BEEN MADE TO ENABLE RIFAI TO CLAIM AT THE FORTHCOMING OPEC MEETING IN BAGHDAD IN NOVEMBER THAT HE HAD RAISED THE QUESTION OF NATIONAL PARTICIPATION WITH THE IPC).

4. RIFAI SAID THAT THE IRAQI GOVERNMENT HAD +INTER ALIA+ THE FOLLOWING OUTSTANDING DIFFERENCES WITH THE COMPANY.

(A) THE FAILURE TO PAY ROYALTY EXPENSING SUMS ADMITTED BY THE COMPANY TO BE DUE. SUTCLIFFE POINTED OUT THAT ROYALTY EXPENSING AGREEMENTS INVOLVED CONFIRMATION OF CONCESSIONARY RIGHTS.

IN OTHER WORDS THE COMPANY WERE PREPARED TO DO FOR IRAQ WHAT THEY HAD DONE FOR OTHER COUNTRIES WHICH CONFIRMED THEIR CONCESSION AGREEMENTS.

(B) THE FAILURE TO PAY THE ADDITIONAL SUMS AMOUNTING TO SOME POUNDS STERLING 25 MILLION DUE TO THE IRAQIS UNDER THE REVISED ACCOUNTING PROCEDURES.

9<sup>D</sup> 19317.  
(166) (C) THE FAILURE OF THE COMPANY TO DO ANYTHING FOR THE PEOPLE (C.F. MYTEL NO 283). IF THE COMPANY HAD BUILT ONLY ONE SCHOOL A YEAR THEIR REPUTATION IN IRAQ WOULD BE VERY DIFFERENT FROM WHAT IT WAS NOW. SUTCLIFFE POINTED OUT THAT WHATEVER THE COMPANY DID WAS WRONG. IF THEY HAD BUILT SCHOOLS, HOSPITALS, ETC. THEY WOULD HAVE BEEN ACCUSED OF INTERFERING IN INTERNAL AFFAIRS. IF THEY DID NOT THEY WERE ACCUSED OF INDIFFERENCE. RIFAI SAID THEY COULD AT LEAST HAVE TRIED.

(D) SOME QUOTE NEW POINTS UNQUOTE (NOT SPECIFIED).

/ 5.....

SECRET



-3-

5. RIFAI AGREED THAT THE WATTARI AGREEMENT HAD BEEN A POSSIBLE SETTLEMENT, BUT SAID THAT THERE HAD BEEN POLITICAL DIFFICULTIES AT THE TIME.

6. WHEN THE QUESTION OF NORTH RUMAILA WAS RAISED, RIFAI SAID THAT IT WAS A MATTER FOR I N O C WHO WOULD DEAL WITH THE ISSUE ON A PURELY ECONOMIC BASIS. IF THE COMPANY PUT IN A BETTER BID THAN ITS OTHER COMPETITORS, THEY WOULD OF COURSE GET THE CONTRACT. (ADEEB JADER HAD EARLIER TOLD SUTCLIFFE THAT HE WOULD LIKE IPC TO GET IT; IT WOULD SOLVE MANY DIFFICULTIES. HOWEVER JADER HAD HAD BETTER OFFERS. SUTCLIFFE HAD POINTED OUT THAT THE IPC COULD NOT PAY MORE FOR NORTH RUMAILA OIL THAN THEY PAID FOR OIL ELSEWHERE). SUTCLIFFE AND MCDONALD REMINDED RIFAI THAT HE WAS ALSO CHAIRMAN OF I N O C BUT RIFAI REFUSED TO BE DRAWN. WHEN SUTCLIFFE THEN SUGGESTED THAT PARALLEL NEGOTIATIONS MIGHT TAKE PLACE BETWEEN THE COMPANY AND THE GOVERNMENT ON THE ONE HAND AND THE COMPANY AND I N O C ON THE OTHER, RIFAI SAID HE COULD NOT AGREE; 'IT WOULD SAVOUR OF A PACKAGE'. RIFAI MERELY SUGGESTED THAT THEY SHOULD CALL ON THE DEPUTY CHAIRMAN OF I N O C.

7. SUTCLIFFE AND MCDONALD HAD NATURALLY FOUND THIS DISCOURAGING. NOR WAS MORE PROGRESS MADE WHEN THEY CALLED ON HUSSEIN GHULAMI, THE UNDER SECRETARY AT THE MINISTRY OF OIL ON 19 OCTOBER. BUT FOR TAKRITI'S APPROACH (MYTEL NO 342) THEY WOULD HAVE LEFT ON 20 OCTOBER.

8. WHEN WE DISCUSSED THE PROBLEM OF SOME ADVANCE PAYMENT SUTCLIFFE SAID THAT HE DID NOT THINK THE GROUPS WOULD AGREE TO IT AT PRESENT. IF THERE WERE SOME SIGN OF A GENUINE WILLINGNESS TO MOVE TOWARDS A SETTLEMENT, SHELL AND C F P WOULD PROBABLY AGREE BUT THE AMERICANS WOULD OPPOSE IT. UNDER DRAKE AS ACTING CHAIRMAN B P MIGHT WELL ALSO OPPOSE. IT MIGHT HOWEVER, BE POSSIBLE TO FIND UNDER VARIOUS HEADINGS OTHER THAN / ROYALTY



SECRET

-4-

ROYALTY EXPENSING SOME POUNDS STERLING 5 MILLION - HE LATER MENTIONED A FIGURE OF POUNDS STERLING 10 MILLION - AS AN INDUCEMENT.

*Have prob. Esso, but probably also overvalued. See* 9. SUTCLIFFE EXPLAINED THAT ONE AMERICAN COMPANY - PRESUMABLY SOCONY - WAS EVEN PREPARED TO PULL OUT OF IPC. BY NEXT YEAR BP MIGHT ALSO BE IN A POSITION FROM THE SUPPLY POINT OF VIEW TO DO LIKEWISE, BUT IN THE MEANTIME THEY NEEDED IRAQI OIL IN THE MEDITERRANEAN. IN ANY CASE BP WOULD PROBABLY NOT CONTEMPLATE PULLING OUT ON ACCOUNT OF THE REPERCUSSIONS.

10. TAKRITI'S APPROACH HAD HOWEVER ALTERED THE SITUATION. AFTER DISCUSSION IT WAS AGREED THAT THEY SHOULD DISCUSS WITH MCDONALD THE POSSIBILITY OF SEEING THE PRESIDENT AND TAKRITI. MCDONALD SUBSEQUENTLY AGREED AND THEY ASKED ME TO MAKE AN APPOINTMENT FOR THEM.

11. THEY SAW TAKRITI AT 12 NOON ON 20 OCTOBER.  
SEE M I F T.

FCO PASS SVG TO BEIRUT PARIS WASHINGTON THE HAGUE AND TEHRAN.

MR EVANS.

D.N.

/REPEATED AS REQUESTED/

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PRIORITY BAGHDAD

TELEGRAM NUMBER 348

TO FOREIGN AND COMMONWEALTH OFFICE  
22 OCTOBER 1968

CONFIDENTIAL.

ADDS TO FCO TEL NO. 348 OF 22 OCT REPTD FOR INFMN SAVING TO  
BEIRUT PARIS WASHINGTON THE HAGUE AND TEHRAN.

M I P T: IRAQI OIL.

SUTCLIFFE, MCDONALD AND HAHN SAW TAKRITI ON 20 OCTOBER.  
THE MEETING WAS A SUCCESS AND TAKRITI MADE A CONSIDERABLE  
IMPRESSION ON THEM ALL, INCLUDING THE AMERICAN, PARTICULARLY  
FOR HIS FRANKNESS IN TALKING ABOUT IRAQ'S CURRENT  
PROBLEMS.

2. TAKRITI WAS DEFINITE THAT HE AND PRESIDENT BAKR WANTED A  
SETTLEMENT WITH IPC: THE COUNTRY BADLY NEEDED INCREASED REVENUES.  
HE SAID, HOWEVER, THAT A SETTLEMENT WAS VERY DIFFICULT FOR  
THE GOVERNMENT AS IT HAD TO BE ACCEPTABLE TO THE ORDINARY  
PEOPLE OF IRAQ AND THE IPC'S IMAGE WAS BAD.

3. THROUGHOUT THE MEETING TAKRITI TOOK THE LINE THAT IT WAS  
THE REVOLUTIONARY COMMAND COUNCIL WHICH COUNTED IN IRAQ AT  
PRESENT. HE FREQUENTLY REFERRED TO QUOTE THE PRESIDENT  
AND I AND THE OTHER THREE UNQUOTE AND FOR MUCH OF THE MEETING,  
WHICH LASTED ONE AND A HALF HOURS, HE SPOKE IN THE FIRST  
PERSON TO DESCRIBE WHAT HE WANTED FOR IRAQ, ALTHOUGH HE  
ADMITTED THAT HE DID NOT KNOW HOW LONG HE WOULD BE IN POWER.

4. IRAQ WAS A DEVOPING COUNTRY AND NEEDED HELP. APART  
FROM MATERIAL BENEFIT TO THE MASSES, PARTICULARLY IN THE  
COUNTRYSIDE, THE ARMED FORCES NEEDED EQUIPMENT. EVERY

/IRAQI

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p.a.  
Jw  
4/2



-2-

IRAQI FAMILY HAD SOMEONE IN THE FORCES AND IF HE, TAKRITI, PROVIDED NEW EQUIPMENT, THEY WOULD RESPECT HIM. THE POLITICIANS WERE BOUND TO MAKE DIFFICULTIES FOR THE GOVERNMENT BUT THEY WOULD IF NECESSARY BE DEALT WITH, PARTICULARLY THE COMMUNISTS.

5. TAKRITI MADE IT CLEAR THAT HE WAS PROFOUNDLY ANTI-COMMUNIST AND THAT HE WANTED MILITARY EQUIPMENT FROM THE WEST. THE U.K. HAD HELPED ONCE IN 1963: UNFORTUNATELY THE AMERICANS HAD NOT. WITHOUT INCREASED PAYMENT, HOWEVER, FROM THE OIL COMPANY, HE WOULD NOT HAVE THE MONEY HE URGENTLY NEEDED. HE SUGGESTED TOO THAT THE IRAQIS, ALTHOUGH THEY HAD BEEN DISILLUSIONED WITH THE WEST, WERE EMOTIONAL AND CAPABLE OF TURNING BACK TO THEM QUICKLY IF THE RIGHT GESTURES OF FRIENDSHIP WERE MADE. DE GAULLE HAD GRASPED THIS POINT.

6. TAKRITI SUGGESTED THAT THERE SHOULD BE EARLY TALKS BETWEEN THE GROUPS AND THE MINISTERS OF OIL, IT WAS ESSENTIAL THAT THE GOVERNMENT SHOULD NOT BE DRIVEN INTO QUOTE DOING ANYTHING SILLY UNQUOTE. WHEN SUTCLIFFE REMARKED THAT IT WOULD BE DIFFICULT TO GET TALKS GOING BEFORE THE SECOND HALF OF NOVEMBER IN VIEW OF THE FORTHCOMING OPEC MEETING, TAKRITI SAID THAT THIS WAS NOT SOON ENOUGH. HE REGARDED THE MATTER AS URGENT. EVENTUALLY HE ACCEPTED THAT NEGOTIATIONS SHOULD START QUOTE AS SOON AS PRACTICABLE UNQUOTE. HE EXPRESSED HIMSELF WILLING TO BE DRAWN IN AT ANY TIME IF THEY TWO SIDES RAN INTO TECHNICAL DIFFICULTIES.

7. SUTCLIFFE AND MCDONALD SAW RIFAI AGAIN ON 21 OCTOBER. ON THIS OCCASION HE WAS MORE RECEPTIVE, IF NOT FORTHCOMING, THAN HE HAD BEEN AT THE EARLIER MEETING. HE KNEW OF THE APPROACH TO TAKRITI AND TOOK NO UMBRAGE AT IT. HE THOUGHT THE SECOND HALF OF NOVEMBER WOULD BE SUITABLE FOR NEGOTIATIONS AFTER THE OPEC MEETING. HE ALSO DID NOT DISSENT FROM THE (GROUP OMITTED?) OF PARALLEL NEGOTIATIONS BETWEEN THE GROUPS AND THE GOVERNMENT ON THE ONE HAND AND THE GROUPS AND INOC ON THE OTHER. HE SAID,

/HOWEVER,



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BAGHDAD TELEGRAM NO.348 TO FCO.

-3-

HOWEVER, THAT HE WOULD NOT BE CHAIRMAN OF INOC FOR MUCH LONGER.  
(THERE IS NO INDICATION AS TO WHO THE NEW CHAIRMAN WILL BE).

8. SUTCLIFFE SAID THAT HE WAS MUCH ENCOURAGED BY THESE MEETINGS AND WAS GRATEFUL FOR OUR ASSISTANCE IN ARRANGING FOR HIM TO SEE TAKRITI. HE WOULD NOW GO BACK TO LONDON TO CONSULT THE GROUPS AND SEEK THEIR AGREEMENT FOR AN ADVANCE PAYMENT AS WELL AS EARLY NEGOTIATIONS. HE THOUGHT THERE WAS NOW A 50-50 CHANCE OF THIS. THE TEAM WHICH WOULD COME OUT IN THE SECOND HALF OF NOVEMBER WOULD PROBABLY BE FAIRLY LARGE.

FCO PASS SAVING TO BEIRUT PARIS WASHINGTON THE HAGUE AND TEHRAN.

MR. EVANS

[REPEATED AS REQUESTED]

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ROUTINE FOREIGN AND COMMONWEALTH OFFICE

TO BAGHDAD

TELEGRAM NUMBER 339

1 NOVEMBER 1968 (C. &amp; C.O.)

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**TOP COPY**

ADDRESSED TO BAGHDAD TELEGRAM NUMBER 339 OF 1 NOVEMBER REPEATED  
FOR INFORMATION SAVING TO BEIRUT, PARIS, WASHINGTON, THE HAGUE AND  
TEHRAN.

(13) (15) (16) (17)

THANK YOU FOR YOUR TELEGRAMS NOS. 336, 342, 347 AND 348: IRAQ  
OIL.

SUTCLIFFE AND MACDONALD REPORTED TO THE I.P.C. GROUPS ON THEIR  
RETURN AND GROUPS ARE NOW CONSULTING ABOUT NEXT MOVE. THIS IS BEING  
DONE INFORMALLY, LARGELY IN ORDER TO AVOID (A) TOO FIRM CORPORATE  
POSITIONS BEING TAKEN UP AT THIS EXPLORATORY STAGE AND (B) THE OBS-  
TACLE OF JERSEY'S GENERALLY NEGATIVE ATTITUDE. (WITH REFERENCE TO  
PARAGRAPH 9 OF YOUR TELEGRAM NO. 347, IT WOULD BE PREMATURE TO TALK  
SERIOUSLY OF ANY MEMBER COMPANY QUOTE PULLING OUT UNQUOTE OF I.P.C.,  
ALTHOUGH JERSEY - NOT MOBIL - HAS CERTAINLY BEEN MORE OR LESS ON THE  
SIDELINES FOR SOME MONTHS.)

2. ONE CANNOT AT PRESENT BE TOO OPTIMISTIC ABOUT THE GROUPS' AGREEING  
ON SUFFICIENTLY FLEXIBLE TERMS OF REFERENCE FOR NEGOTIATING TEAM  
TO SEEK A WAY THROUGH THE CONTINUED IMPASSE. THE BASIC QUESTIONS THE  
GROUPS ARE ASKING THEMSELVES ARE WHETHER THE PRESENT IRAQI REGIME  
IS WILLING AND ABLE TO MAKE AN OVERALL SETTLEMENT, HOW LONG THE  
REGIME MIGHT BE EXPECTED TO REMAIN IN POWER AND CONSEQUENTLY HOW  
MUCH MORE BARGAINING STRENGTH (I.E. PRINCIPALLY THE MONEY I.P.C.  
ARE READY TO PAY FOR AN OVERALL SETTLEMENT) I.P.C. MIGHT WISELY  
CONCEDE TO PREPARE THE GROUND FOR REACHING SUCH A SETTLEMENT.

3. IT DOES, HOWEVER, SEEM TO BE BROADLY ACCEPTED THAT A TEAM WILL  
HAVE TO GO TO BAGHDAD AT ABOUT THE END OF THIS MONTH ON SOMETHING  
MORE THAN ANOTHER EXPLORATORY MISSION. IT MAY WELL BE TWO OR THREE  
WEEKS BEFORE ANYTHING APPROACHING AN I.P.C. CONSENSUS ON THE TEAM'S  
TERMS OF REFERENCE TAKES SHAPE.

STEWART

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Registry No.  
DEPARTMENT C. & O.D.

• Date and time (G.M.T.) telegram should  
reach addressee(s)

SECURITY CLASSIFICATION

PRIORITY MARKINGS

~~Top Secret~~  
~~Secret~~  
~~Confidential~~  
~~Restricted~~ JTF  
~~Unclassified~~ 1/11

~~Flash~~  
~~Immediate~~ }  
~~Priority~~  
~~Routine~~

(Date)

2-11-68

Despatched

03704

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~~Ex Clair.~~  
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[Security classification  
—if any]

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[Privacy marking  
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[Codeword—if any]

Addressed to BAGHDAD

telegram No. 389 (date) 1/11

And to

Saving

repeated for information/to BEIRUT PARIS WASHINGTON

THE HAGUE TEHRAN

Saving to

Draft Telegram to:—

BAGHDAD

No. 389

(Date) 1/11

And to:—

Saving  
Repeat to:—

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Paris  
Washington  
The Hague  
Tehran

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A.T. Gregory,  
Min of Power  
F.P.B. Derrick,  
Treasury.

Thank you for your telegrams Nos. 336, 342, 347  
and 348: Iraq Oil.

Sutcliffe and MacDonald reported to the IPC  
Groups on their return and Groups are now consulting  
about next move. This is being done informally,  
largely in order to avoid (a) too firm corporate  
positions being taken up at this exploratory stage  
and (b) the obstacle of Jersey's generally negative  
attitude. (With reference to paragraph 9 of your  
telegram No. 347, it would be premature to talk  
seriously of any member company "pulling out" of IPC,  
although but Jersey - not Mobil - has certainly been more or  
less on the sidelines for some months.)

2. ~~In spite of the impression Sutcliffe seems to  
have given you,~~ One cannot at present be too optimistic  
about the Groups' agreeing on sufficiently flexible  
terms of reference for a negotiating team to ~~find~~ <sup>seek</sup> a

/way

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way through the continued impasse. The basic questions the Groups are asking themselves are whether the present Iraqi regime is ~~really~~ willing and able to make an overall settlement, how long the régime might be expected to ~~continue~~ <sup>remain</sup> in power and consequently how much more bargaining strength (i.e. principally the money <sup>IPC</sup> ~~they~~ are ready to pay for an overall settlement) IPC might wisely concede to prepare the ground for reaching such a settlement.

3. It does, however, seem to be broadly accepted that a team will have to go to Baghdad at about the end of this month on ~~more~~ <sup>something</sup> more than ~~one~~ another exploratory mission. It may well be two or three weeks before anything approaching an IPC consensus on the team's terms of reference ~~begins to form~~ <sup>takes shape.</sup>

W

1/11

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OTHER/CAT A  
ROUTINE BAGHDAD  
TELEGRAM NUMBER 394

TO FOREIGN AND COMMONWEALTH OFFICE  
6 NOVEMBER 1968.

CONFIDENTIAL.

ADDRESSED TO FCO TELEGRAM NUMBER 394 OF 6 NOVEMBER REPEATED FOR  
INFORMATION SAVING TO BEIRUT PARIS WASHINGTON THE HAGUE TEHRAN.

(18) YOUR TELEGRAM NO 389: IRAQI OIL.

HAHN SAW IRAQI MINISTER OF OIL YESTERDAY. HE FOUND HIM RELAXED AND  
FRIENDLY BUT IN DETERMINED MOOD. MINISTER SAID THAT TIME WAS  
GETTING SHORT. HE HAD KNOCKED AT DOOR IF IPC: IF IT WERE NOT  
OPENED HE WOULD HAVE TO KNOCK ELSEWHERE OR BREAK IT DOWN.

2. HAHN SEEMS IN NO DOUBT THAT A TEAM WILL COME OUT BEFORE END  
OF MONTH AND THAT ITS ROLE WILL BE MORE THAN EXPLORATORY.

3. HAHN ALSO HOPES THAT DANNER, WHO HAS JUST PAID A VISIT HERE,  
WILL BE ABLE TO PERSUADE GROUPS TO PROVIDE FUNDS FOR A WORTHWHILE  
PROJECT TO IMPROVE COMPANY'S IMAGE WITH PUBLIC IN IRAQ. WHAT  
HE HAS IN MIND IS THE BUILDING AND EQUIPPING OF CLINICS, MOSTLY  
IN RURAL AREAS. THEY WOULD BE HANDED OVER AND BE RUN BY IRAQI  
GOVERNMENT.

FCO PASS SAVING TO BEIRUT PARIS WASHINGTON THE HAGUE AND TEHRAN.

MR EVANS.

[REPEATED AS REQUESTED]

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With Encl A (19)



BRITISH EMBASSY,  
BAGHDAD.

(12/2)

*W 15/11 Mr. Wain to see*

8 November, 1968.

*Request to enter and re-submit*  
*Dear Sir,* with relevant extract of *Personality*  
*List please.*

MCP 359/1

(17)

Iraq National Oil Company

*W*  
*14/11*

As foreshadowed in para. 7 of our telegram No. 348 of 22 October, Dr. Rifai has been replaced as chairman of I.N.O.C.

2. The new chairman is Dr. Saadun Hamadi an ex-Minister of Agrarian Reform, (Leading Personalities No. 151).

*Wain*

*Dr. Saadun*

(D. F. Hawley)

J. T. Fearnley, Esq.,  
Commodities and Oil Dept.,  
F.C.O.,  
S.W.1.

*Details of Mr. Hamadi's career and an assessment of his attitude have now been entered on his file.*

*p.a.*  
*JW 12/12*

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RECEIVED IN ARCHIVES No. 45 18 NOV 1968 MCP 359/1
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He was an active plotter before the 8 February Revolution, when he was promoted to brigadier and appointed Lord Mayor of Baghdad. He became Minister of Housing in the Cabinet reshuffle in May 1963, but was replaced on 7 October. Appointed Ambassador at the Foreign Ministry, July 1964, and left for Vienna as Ambassador in September. Recalled for consultations, 25 November, and appointed Ambassador at Cairo, December 1964. Said to have narrowly missed a portfolio, 21 September, 1965.

A forceful and attractive personality, Rajab still cuts a lot of ice in army circles because of his "Free Officer" background. May still have a political future if he does not succumb to the fleshpots of an easy life abroad. A close friend of Naji Talib (q.v.).

#### 147. Rashid Muhsin al-Jumaili (Lieutenant-Colonel)

Born about 1927. An infantry officer, protégé of Subhi Abdul Hamid (q.v.). Brought in to run the Security Department as Director-General, replacing Colonel Anwar Thamir, July 1964, in spite of having no apparent qualifications.

Worked to send Iraqi police and army officers on security courses in the U.A.R.: welcomed U.A.R. advisers on security into his Department. Reputedly took over many of the duties and responsibilities of the Military Governorship-General of Baghdad from the hands of a weak incumbent, Nafi' Ahmad, as 1964 wore on. It was rumoured that Colonel Muhsin had lost his post in late June 1965, along with the pro-Nasserite ministers, but he returned to it at the beginning of August. Associated with Razzaq's pro-Nasser coup of 15-16 September, and left with him for Cairo on 16 September.

#### 148. Rashid Muslih (Retired Major-General)

Sunni, born Tikrit 1917. Commissioned in the army, 1938. As commander of 14 Brigade in April 1959 was implicated in the Mosul Revolt, and subsequently retired. Later reinstated in the army, he was again retired at the beginning of 1963, immediately before the February Revolution.

Reinstated in the army with the rank of brigadier on 8 February, 1963, he was appointed Military Governor of Baghdad. In September 1963, friction between the Security Police and the National Guard led to his offering his resignation, but this was refused. He played a prominent part in organising the 18 November, 1963 coup, being close to Lieutenant-General Tahir Yahya (q.v.), who also comes from Tikrit.

On 20 November he became Minister of the Interior while retaining the post of Military Governor-General of Baghdad. By the end of 1963 he had strengthened his position considerably in the internal power line-up. In 1964 however his position started to slip and he was attacked personally in the Soviet Press for his tough line towards Iraqi Communists. After an official visit to Cairo in June/July he gave up his duties as Military Governor-General, though he remained Minister of the Interior and served twice as a member of the Presidency Council during Arif's absence abroad. Lost his Cabinet post in the reshuffle of 14 November, 1964, and by all accounts was not sorry to quit. After the resignation of the pro-Nasser ministers in July 1965 he showed signs of being willing to return to office on his own tough terms, which included a return to normal economic conditions. These were not acceptable to Arif at the beginning of the Bazzaz ministry on 21 September 1965; but Muslih surprisingly came in as Minister of Communications a week later. Since then he has emerged again as one of the strongest

men in the Government, and probably has a future in his own right.

Muslih is a tough, cheerful and engaging little man of firm Iraqi Nationalist inclination, who would not be sorry to see some sort of Hashimite restoration. This perhaps indicates a degree of political naiveté. He is popular with the man in Baghdad street and probably also acceptable in the army, though strongly identified with the Tikrit grouping. Married, with children, he speaks no English but understands a little.

#### 149. Rose Khadduri (Dr.)

Born about 1909. Christian. Wife of Khadduri Khadduri (q.v.). Graduated from American University Beirut 1940. Principal of Baghdad West Girls' High School 1940-48. Took Doctorate in Education at Columbia University 1951, and returned to teaching, but suspended for three years for opposition to Nuri Said (she made critical speeches at meeting of the Women's Federation in Beirut). Reinstated in 1957 as professor at the Women's College. Attended the 1958-59 session of the United Nations as an Iraqi delegate. Appointed Dean of Al Tahrir College (Baghdad University's Women's College) in spring 1959 in succession to the Nationalist Mrs. Daud Salman Ali. She might have become Iraq's first woman Minister, but was pipped at the post by Dr. Naziha al-Dulaimi (q.v.). She was dismissed and her property frozen, February 1963. She was seen, in reasonably good health, in the Baghdad Prison for women in December 1963. In 1964 her property was "unfrozen" and she was released from jail, but remains under surveillance.

Active in feminist organisations of all descriptions, she was a member of the Executive Committees of the (Communist) Iraqi Women's League 1959-60, and of the Teachers' Union 1959-60 while it was still under Communist control. Rose Khadduri is a fellow-traveller and disagrees with her moderate National Progressive Party husband. They do not have much to do with each other. She is intelligent and pleasant to meet socially.

#### 150. Sa'ad Umarj

Born in Karbala in 1917. Shia. Son of Umar Haj Alwan, one of the Karbala representatives on the Constituent Assembly. Educated at Karbala and Baghdad. Graduated in the Law College about 1941. Thereafter he practised as a lawyer in Karbala until 1947, when he became Deputy for Karbala. He was not re-elected in 1948, but was put in in a by-election later in the year. Minister for Social Affairs in Ali Jaudat's Government of December 1949, and of Education in Taufiq Suwaidi's Cabinet in February 1950. A member of Nuri Pasha's Constitutional Union Party November 1949. Kept quiet during 1959 and the beginning of 1960 and consequently out of trouble, although he hated Qasim and the régime.

In July 1961 became business manager of the Iraq Times Printing Co. (publishers of Baghdad's English-language newspaper) which was bought out by an Iraqi consortium. He and the *Iraq Times* survived the 1963 Revolutions unscathed: the paper finally succumbed to Abdul Karim Farhan's Press Law of April 1964, and nothing has been heard of Sa'ad since.

#### 151. Sa'adun Hammadi (Dr.)

Shia, in his middle '30s, he comes from Karbala. He graduated from the American University of Beirut, and in 1957 obtained a Ph.D. in agriculture from Wisconsin University.



He became an editor of the newspaper *Al-Jumhuriya* after the 1958 Revolution, and wrote several editorials in praise of Abdul Salam Muhammad Arif (q.v.). A member of the Ba'ath Party, he was sent from Iraq to Libya to undertake the organisation of the party there, and was sentenced to six years' imprisonment for plotting. After he had served about one year of the sentence the Libyan authorities sent him back to Baghdad, where he arrived at the end of January 1963 and was put in prison by Qasim. He was released by the Revolution of 8 February, 1963.

Appointed Minister of Agrarian Reform in the Revolutionary Cabinet, he held this post till 16 November, when he was replaced because of his support for Ali Salih al-Sa'adi's extremist group. After the *coup* of 18 November he was variously reported to be under arrest or to have fled the country. Hammadi's name cropped up again at the time of the abortive assassination plot of 4 September, 1964.

While the Ba'ath were in power Hammadi's influence was exerted mainly behind the scenes; though known to be something of an ideologue he never became a public figure. It needed the eclipse of the Ba'ath to bring him some transient notoriety.

#### 152. Sadiq Mustafa (Major-General)

Sunni, born about 1912. A regular army officer and infantry specialist. At the time of the 1958 Revolution he was Second-in-Command of an infantry battalion, and was then promoted to the job of Garrison Commander at Jalula. By 1962 he was in command of the 20th Brigade, which he commanded during the operations against the Kurds. He was wounded in the fighting in June 1962. Under the Ba'ath he continued in his post, but following the November 1963 Revolution he was appointed acting commander of the 5th Division, an appointment that was confirmed in May 1964. He was promoted major-general in July 1964. Lost his divisional command in September 1965 for inefficiency, and was appointed Mutasarrif of Amara.

Weak and cruel, this officer is particularly detested by the Kurds, who blame him for punitive attacks on the fields and villages. Politically an opportunist. No English.

#### 153. Said al-Qattan (Staff Brigadier)

Sunni, born in Mosul about 1920. A regular infantry officer. Although not in sympathy with the Qasim régime, he continued to serve throughout its course in a number of minor posts, and was promoted brigadier in January 1962. At the time of the February 1963 Revolution he was commander of the Military College. In June 1963 he was appointed overall commander of the operations against the Kurds, with the equivalent of almost three divisions of troops under his command. Following the November 1963 Revolution he was appointed commander on paper of an embryonic 6th Division, which was never formed. This appointment was in the nature of a down-grading but he returned to favour with an appointment as commander of the 4th Division in February 1964. Appointed D.C.G.S. (Ops.) in September 1965, just before President Arif's departure for the Casablanca "summit".

A close friend of Duraid al-Damluji and of Brigadier Yunis Attar Bashi (q.v.), who was appointed to command the 4th Division in his place, Qattan does not appear to have very pronounced political inclinations. He is a diabetic,

and has suffered from increasingly indifferent health in the past few years. He has a pleasant manner, and speaks good English.

#### 154. Said Sulaibi (Colonel)

Sunni, born Ramadi, 1922, the son of a warrant officer. Sponsored for entry to the Military College by Major-General (Retired) Umar Ali. A regular army officer and military police expert. Wounded during the fighting on 8 February, 1963, after which he emerged as a supporter of the Ba'ath Party. After the Revolution of 18 November, 1963, he was appointed acting commander of the Baghdad Garrison. In April 1964 he became also Commander of the Military Police. A "secret" member of the National Council of the Revolutionary Command until its dissolution in August 1965; claimed that he had never really been a Ba'athist.

During 1965, Sulaibi let it be known that the price of his allegiance was a mere £50,000. This may have encouraged the pro-Nasserite engineers of the abortive *coup* of 15 September, 1965, to approach him; but Sulaibi stood firm and with Colonel Bashir Ismail al-Talib (q.v.) and the Director-General of Police saved the situation for President Arif. After the formation of Dr. al-Bazzaz' civilian régime on 21 September, Sulaibi quickly fell out with the new Minister of Defence, Major-General Abdul Aziz Uqaili (q.v.) who claimed that Sulaibi had become thoroughly above himself and insubordinate; he was saved by the personal intervention of the President, but sent on three months "leave" at the end of October.

Sulaibi is not very bright to meet. He appears uncouth and fat, with hardly any English, but he is reputed to be brave on occasion. He maintains contacts with all sides, especially the moderate Ba'ath under Ahmad Hassan al-Bakr (q.v.).

#### 155. Salah Khalis (Dr.)

Born Basra 1925. Educated at the Sorbonne. Imprisoned for one year under the old régime for alleged Communist sympathies when a lecturer at the College of Arts. Appointed Director-General of Technical Affairs in the Ministry of Education in November 1958. Was a member of the editorial board of *Al Thaqafa al Jadida*, a very Left-wing literary magazine. Member of the National Council of Peace Partisans in April 1959. Secretary of the Communist-dominated Iraqi Writers' Union 1959-60. Founder member of the Iraqi-Albanian Friendship Society, and visited Albania on an official invitation in November 1959. Sent to Moscow University to teach Arabic for two years in December 1960.

Salah may not actually be a member of the Communist Party, but has pronounced Left-wing tendencies and is sympathetically inclined towards the Communists. He was a member of the Iraqi delegation which negotiated the Anglo-Iraqi Cultural Agreement in 1959. He was among the most intelligent and forceful of the Minister of Education's advisers and his influence was thrown in favour of strengthening the links between Iraq and Eastern Europe. He played an important part in the negotiations leading up to the Iraqi-Soviet Vocational Training Agreement and was posted to Moscow in January 1963 to teach Arabic there. After the February 1963 Revolution he joined the Higher Committee of the Iraqi People's Movement abroad, situated at Prague.

Khalis has a pleasant Egyptian wife formerly employed by Baghdad Radio. She is an ex-teacher who speaks good French and a little English.



*Mr Feareley*  
*hr 15/10*

*with (20)*  
*Mr O'Grady*  
*Comm & Oil Dept*  
*R. 965/1*  
*20005*

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CYPHER/CAT A

IMMEDIATE BAGHDAD

TELEGRAM NUMBER 357

TO FOREIGN AND COMMONWEALTH OFFICE

28 OCTOBER 1968

CONFIDENTIAL.

ADDRESSED TO F C O TELNO. 357 OF 28 OCTOBER R F I ANKARA  
KHORRAMSHAHR OSLO AND STOCKHOLM

MY TELNO. 352 : ARREST OF HONORARY SWEDISH AND NORWEGIAN  
VICE-CONSUL.

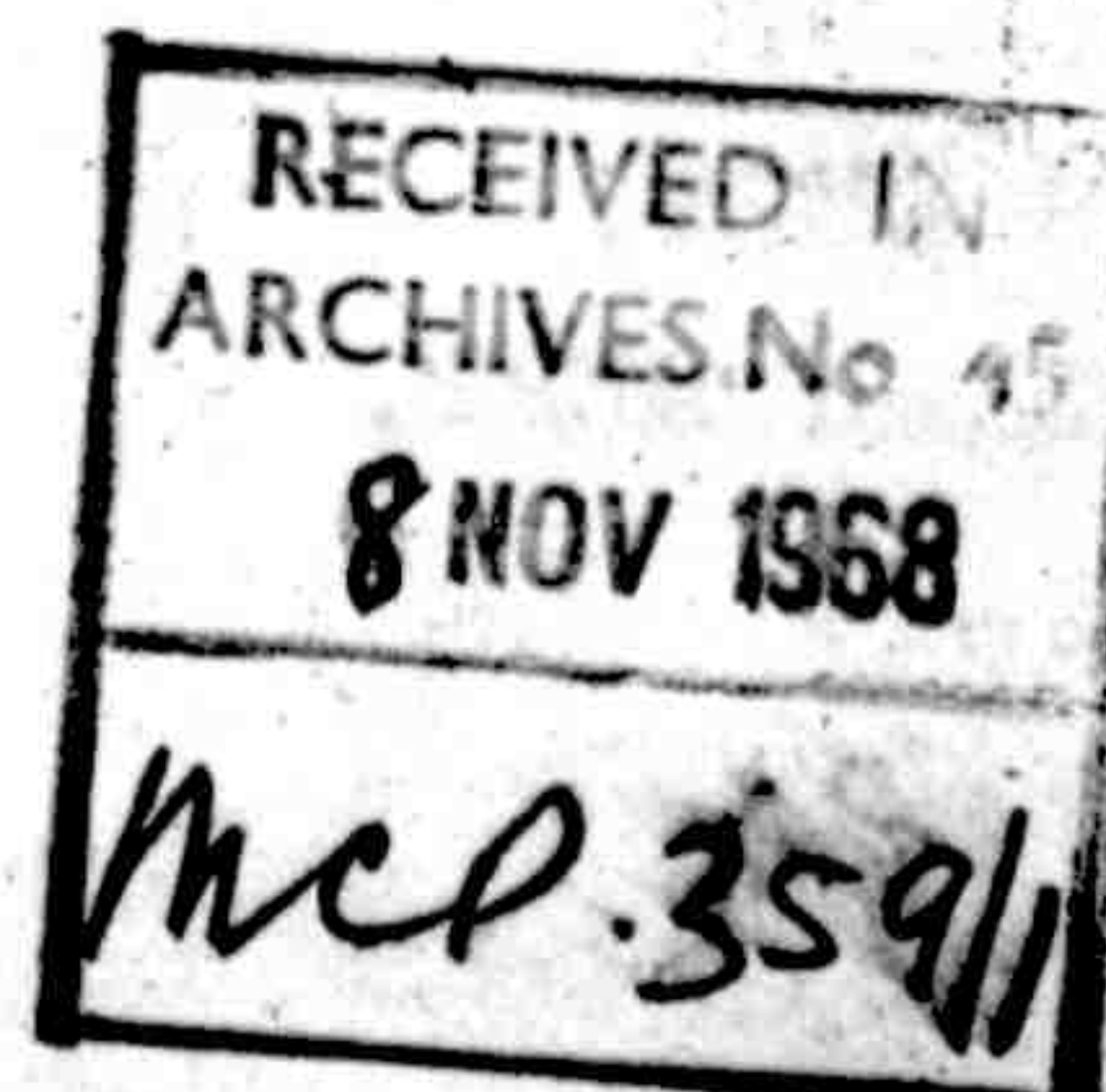
THE MINISTER OF THE INTERIOR WAS UNFORTUNATELY NOT AVAILABLE.  
I WAS RECEIVED BY THE MINISTER OF DEFENCE ON 27 OCTOBER.  
( IT WAS IN FACT TO THE MINISTRY OF DEFENCE AND NOT TO THE  
MINISTRY OF THE INTERIOR THAT MR. MENZIES WAS TAKEN ON  
HIS ARRIVAL FROM BASRA).

2. GENERAL TAKRITI SAID THAT HE HAD HEARD OF THE AFFAIR FROM  
A VISITING SWEDISH BUSINESSMAN WHO WAS A FRIEND OF HIS AND HAD  
MADE ENQUIRIES. MR. MENZIES HAD IN A LETTER TO HIS SWEDISH  
PRINCIPAL BEEN CRITICAL OF THE NEW REGIME. GENERAL TAKRITI  
ADMITTED THAT HE HAD NOT SEEN THE LETTER. I SAID THAT I HAD  
AND THAT WHAT MR. MENZIES HAD WRITTEN WAS NO MORE THAN WHAT  
APPEARED IN, FOR INSTANCE, THE BEIRUT PRESS.

3. HAVING CONFIRMED THAT MR. MENZIES WAS NO LONGER IN THE  
MINISTRY OF DEFENCE BUT HAD BEEN TRANSFERRED TO THE MINISTRY OF  
THE INTERIOR GENERAL TAKRITI TELEPHONED THE DEPUTY DIRECTOR  
GENERAL OF PUBLIC SECURITY AND SAID THAT HE WANTED MR. MENZIES  
RELEASED IMMEDIATELY REPEATING WHAT I HAD SAID ABOUT THE CONTENTS  
OF THE LETTER. HE WENT ON TO SAY THAT AT A TIME WHEN THE GOVERNMENT

/ WAS

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- 2 -

WAS TRYING TO IMPROVE ITS RELATIONS WITH FRIENDLY FOREIGN COUNTRIES, IT WAS COUNTER PRODUCTIVE FOR THE SECURITY AUTHORITIES TO HARASS FOREIGN NATIONALS. THE SECURITY AUTHORITIES HAD THE DUTY TO WATCH AND REPORT ON FOREIGNERS WHOSE ACTIVITIES GAVE RISE TO SUSPICION BUT IF THERE WAS ANY QUESTION OF ARREST OR EXPULSION, THE EMBASSY OR CONSULATE CONCERNED SHOULD BE INFORMED AND ASKED TO TAKE THE NECESSARY ACTION. GENERAL TAKRITI SAID THAT HE WAS VERY SORRY ABOUT THE WHOLE BUSINESS.

4. I THANKED HIM AND SAID THAT HIS HELPFUL ATTITUDE IN THIS CASE AND (ALSO IN THE CASE OF A SENIOR IRAQ PETROLEUM COMPANY OFFICIAL WHO HAD BEEN THREATENED WITH EXPULSION AND ABOUT WHOSE CASE I HAD SPOKEN TO HIM) WOULD BE DULY APPRECIATED.

5. WE ARE INFORMED THAT MR. MENZIES IS BEING RELEASED THIS MORNING. PLEASE SEE M I F T.

F C O PASS IMMEDIATE TO ANKARA AND ROUTINE TO KHORRAMSHAHR OSLO AND STOCKHOLM.

MR. EVANS

[REPEATED AS REQUESTED]

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1) Enter *Am 98/11*  
 2) Copy to *Near Eastern Dept*  
 BRITISH EMBASSY,  
 3) Resubmit to *me with paper*  
 BAGHDAD.

(20)

(12/2)

2 November 1968. 7/11

*Subject to further reflection, my first  
 reaction is that Mr Hahn (? and Mr Evans)  
 are oversanguine and consequently facing  
 the pace.*

*My dear John,*

I.P.C.

MCP 359/1

(17)

You have I am sure, been giving a good deal of thought to the latest telegrams from here ending with my telegram number 348 of 22 October. You should, I think, know that the I.P.C. management here - we have been seeing a good deal of Hahn since he took over - and Sutcliffe of B.P. with whom we had a number of useful talks during his last visit, far from resenting what might be thought interference on our part, are most anxious in present circumstances to have our help in convincing their masters in the Groups of the need for a prompt response and a flexible approach. They specifically mentioned that Geoffrey Arthur, who not only knows Iraq well but is also well known to the oil companies, is well placed to put the message across - clearly I.P.C. and B.P. will lose no time in inviting him around as soon as he gets settled. They also thought that we could usefully tackle and enlist the support of Humphrey Trevelyan, who is of course on the Board of B.P.

2. Hahn is, I think, impressed by the possibilities of the present regime here, particularly as represented by General Takriti. Drawing on his experience of the Lebanon and of the special relationship he had with General Chebab, he is convinced of the value of a "political" approach i.e. gaining the confidence of the top man and coming to an agreement with him. Given this, so the theory runs, negotiations with the experts and technicians fall fairly easily into place. The local I.P.C. management is all the more attracted by this as the opposite technique was followed in 1965 when an excellent technical agreement was negotiated with Wattari only to be thrown overboard by the politicians.

3. Unfortunately, as with most attractive theories there is a snag. In the Lebanon there is virtually only one General; in Iraq they are falling over each other and Takriti himself, as you know, has his difficulties. Furthermore there is just now a certain depression in the I.P.C. owing to the expulsion of Bannister, their Chief Engineer at Kirkuk. (I mentioned this briefly in my telegram No. 357 of 31 August [paragraph 4]).

*28 Oct*

/Takriti

J. T. Fearnley, Esq.,  
 Commodities and Oil Department,  
 Foreign and Commonwealth Office,  
 S.W.1.

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Takriti who had promised me that he would, if necessary, see both Hahn and Bannister before a decision was reached, has let it be known to Hahn that he did not wish after all to intervene and had referred him to the Minister of Foreign Affairs. This hesitation on Takriti's part presumably reflects tension within the regime and is we hope only temporary. What is certain is that the regime is going through a rather difficult patch - consolidation, we hope.

4. This letter is not, of course, for circulation outside the Department.

*[Handwritten signature]*

*[Handwritten signature]*  
(T. E. Evans)

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Mr. MooreMr. Arthur a.a.Mr. MakinMr. Gallagher o.r.

-/20

We spoke briefly about the attached letter of 2 November from Mr. Evans. I attach a draft reply.

2. The draft attempts to 'pull the punches' somewhat, since I can see little or no room for reading Mr. Evans' first paragraph other than as it is written and I am, if anything, more disbelieving of what he says about Mr. Sutcliffe than the draft suggests.

3. However, my basic concern is the possibility of the 'over-energetic' IPC representative sweeping the Ambassador along with him into not fully considered proposals, perhaps because the latter might not be sufficiently critical of the former's ideas and tactics. For example, the suggestion of a backstairs approach to Lord Trevelyan is one which I would not have expected the Ambassador to transmit without comment and thereby to imply that he endorsed it.

4. If Mr. Hahn and Mr. Evans (consciously or unconsciously) were together to seek to force the pace, this could seriously add to the complications of the whole problem. The draft is, therefore, generally aimed at hinting to Mr. Evans that he should keep his mental distance in his dealings with Mr. Hahn.

J. T. Fearnley

(J.T. Fearnley)  
18 November 1968

While I do not dissent from the draft, and am quite prepared to consider myself as expendable from Mr. Evans' good books, the subject is essentially one on which I would not really presume to have views worth account. I have therefore accepted the reference to myself.

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ARM over  
18-11

Spoke to Mr. Moore, who agreed to the rewording of the phrase in the final para.

Doe to view

Wt 18/11



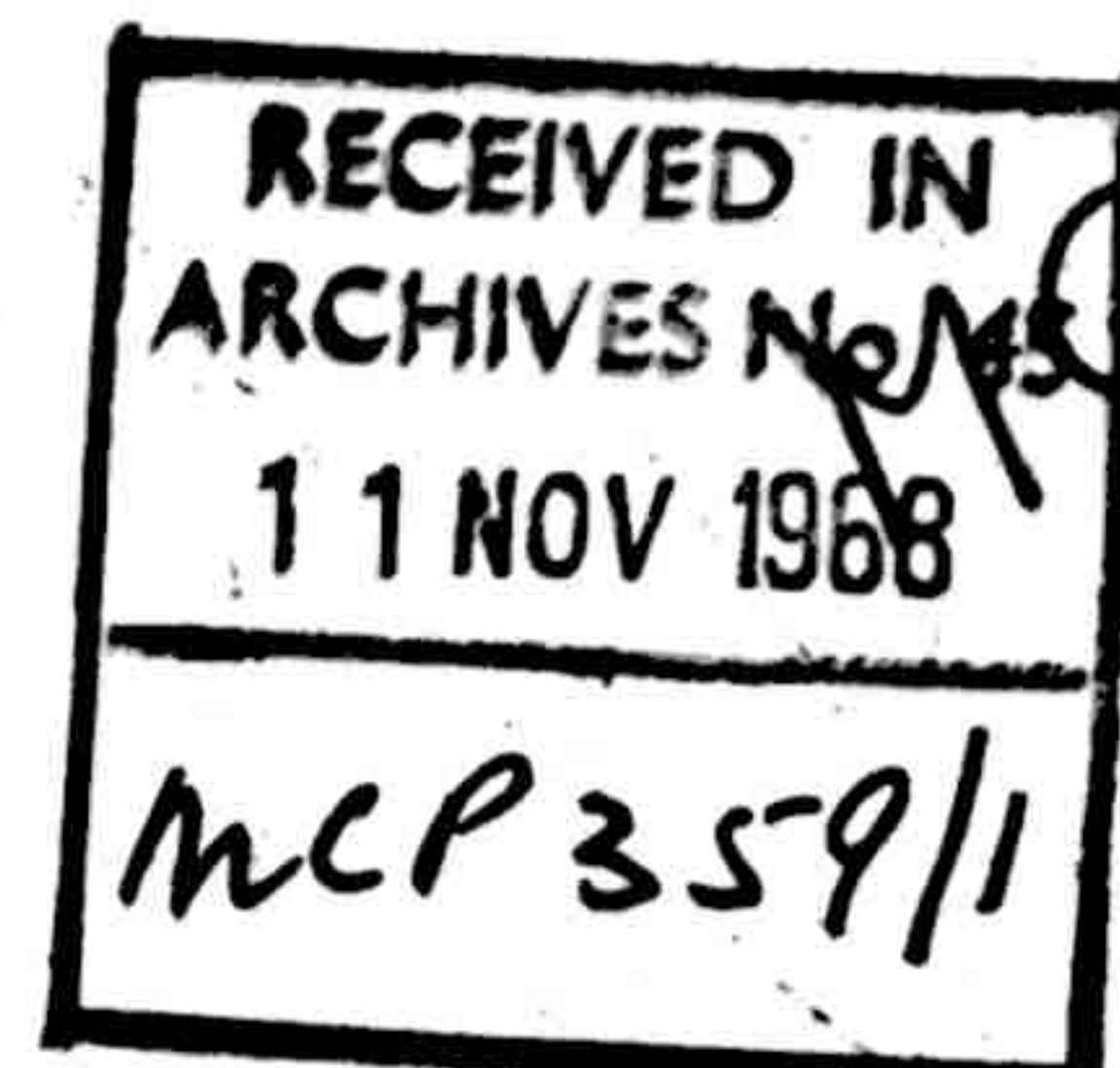
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CYPHER/CAT A

ROUTINE BAGHDAD TO FOREIGN AND COMMONWEALTH OFFICE  
TELEGRAM NUMBER 405 9 NOVEMBER 1968



CONFIDENTIAL

ADDRESSED TO F C O TELNO. 405 OF 9 NOVEMBER R F I SAYING  
BEIRUT PARIS WASHINGTON THE HAGUE AND TEHRAN.

19 MY TELNO. 394 OF 6 NOVEMBER : IRAQI OIL.

THE UNDER-SECRETARY AT THE MINISTRY OF OIL, ON  
WHOM HAHN PAID A ROUTINE CALL ON 8 NOVEMBER AND WHO IS WELL  
DISPOSED TO THE COMPANY, WAS UNEXPECTEDLY OUTSPOKEN IN HIS  
COMMENT ON THE PRESENT POSITION. HE SAID IT WOULD BE A DISASTER  
IF THE GROUP REPRESENTATIVES CAME OUT AND MERELY TALKED. IT  
WAS SUCH TACTICS THAT RESULTED IN LAW 80. THE PRESENT GOVERN-  
MENT HAD A DEFINITE OIL POLICY BUT HAD NOT YET MADE UP  
THEIR MINDS ABOUT RELATIONS WITH THE CONCESSIONARY COMPANY.

IF THERE WAS NO SETTLEMENT, PEOPLE LIKE HIMSELF, WHO  
WERE FRIENDLY TOWARDS THE COMPANY, WOULD BE CAST ASIDE.

2. HERRIDGE, IPC CHAIRMAN, WHO CALLED ON ME THIS MORN-  
ING, SAID THAT HAHN HAD GIVEN HIM A SIMILAR ACCOUNT OF WHAT  
THE UNDER-SECRETARY HAD SAID.

F C O PLEASE PASS SAYING TO BEIRUT PARIS WASHINGTON THE  
HAGUE AND TEHRAN.

MR. EVANS

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P.A.  
Tw. 11/11

NNNNN

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BRITISH EMBASSY,  
PARIS.

8 November, 1968

(27/20)

My dear John  
Iraq Oil

I met Vincent Labouret, the Quai d'Orsay man attached to the Compagnie Française des Petroles, whom I had not seen for some time, at a party recently and we agreed to lunch soon and talk about Iraqi oil.

(18) — 2. We duly did so yesterday at his house. I had previously briefed myself from our file of telegrams, up to and including your telegram to Baghdad No. 389 of 1 November. I left it to Labouret to do most of the talking, since he is an expert on the subject and I am not.

3. I began by asking Labouret when he had last been in Iraq. He said he had been there last July when the Aref regime had fallen and the double-barrelled coup d'état had taken place in late July and August. Before the coup there had seemed to be some prospects of achieving a deal between Aref and the I.P.C., but the situation was now more obscure.

4. I asked what he thought of the latest developments. He said that the Sutcliffe-MacDonald Mission had returned and reported to I.P.C. that the new regime had given them a fairly good reception and had said they would like to settle outstanding problems, but had admitted at the same time that they could not yet name a date when negotiations for an overall settlement could begin. Labouret said that his impression was - and he implied that all the I.P.C. partners shared it - that the new regime was not yet firmly enough in the saddle to make up its mind about its own negotiating position. It was not certain what terms it could justify to public opinion against the inevitable attacks of political enemies. It was therefore hard to see how I.P.C. could open negotiations or why they should offer concessions. He added that Danner had been in Iraq about ten days ago and had formed much the same impression as Sutcliffe and MacDonald.

5. I asked if he thought I.P.C. could safely wait for an indefinite period without talking to the Iraqi Government, who seemed anxious to lay their hands on some ready cash. Labouret said there were risks in any course. He referred to the fact that at one moment there had seemed to be a possibility of reaching an agreement with I.N.O.C. whereby I.P.C. would exploit parts of the North Rumaila field as I.N.O.C.'s agent. This, however, had not been followed up by the Iraqis.

J. T. Fearnley, Esq.,  
Oil Department,  
Foreign and Commonwealth Office.

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1.

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He seemed to think it might be worth enquiring whether I.N.O.C. were still interested in such a deal, but he did not actually say so.

6. I asked whether E.R.A.P. shared Labouret's view of the present situation in Iraq. He said that he thought they did. Reports from the French Ambassador in Iraq painted the same picture of an unstable situation. E.R.A.P. were, however, going ahead cautiously with the exploitation of their concession and had recently given a party in Baghdad to celebrate their first exploratory drilling in their concession area near the Iranian frontier.

7. My impression from Labouret's attitude was that the French did not much like the present set-up in Baghdad and would be glad to see a change. They may be influenced by the alleged reluctance of the Iraqis to clinch the deal made with Aref for the purchase of 50 Mirages. Labouret's account of the Sutcliffe-MacDonald findings was rather more on the negative side than your telegram under reference, but I did not say this to him.

8. I should add that Labouret had begun our lunch by saying that it was a pity that Anglo-French relations were so distant, and that our Governments really ought to talk to each other more. I said that this was also the British view. We reverted to this theme at the end of our lunch and Labouret observed that it was a long time since we had had official Anglo-French talks on the Middle East. I said that M. Debré had suggested the Middle East as a possible topic for discussion when he saw the Ambassador on 30 October (our telegram 1083, not to all). We left it at that. *- not in  
CVO.*

9. I think Labouret's invitation showed a slightly increased willingness on the part of the French to talk to us about Iraq now that we have resumed diplomatic relations with Baghdad and now that the complications of the situation there are perhaps a little more apparent to General de Gaulle than they were at the time of the Six Day War. Labouret produced, incidentally, the standard justification of C.F.P's "cavalier seul" exploits in Iraq last year and I gave our standard reply. Labouret and I have agreed to see each other again before too long, so if there is anything in particular you would like me to say or not to say, I should be grateful to know.

*Youn-war,*  
*W.B.J. Ledwidge*  
(W. B. J. Ledwidge)

c.c. Chanceries at Washington, The Hague,  
Tehran, Baghdad, Beirut.

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MC.  
(23)

EN CLAIR

BAGHDAD TO FOREIGN AND COMMONWEALTH OFFICE

TELNO 411 12 NOVEMBER, 1968

UNCLASSIFIED

ADDSD TO FCO TELNO 411 OF 12 NOV R F I SAVING TO BEIRUT PARIS  
TEHRAN WASHINGTON AND THE HAGUE.

IRAQI OIL .

IN OPENING THE SEVENTEENTH O P E C CONFERENCE ON 9 NOV PRESIDENT  
BAKR MADE THE FOLLOWING POINTS INTER ALIA.

(A) MONOPOLISTIC COMPANIES SHOULD HAVE BECOME ALIVE TO THE SUFFER-  
ING OF THE DEVELOPING OIL PRODUCING COUNTRIES AND LAID DOWN SOUND  
BASES FOR DEALING WITH THEIR PEOPLES.

(B) IRAQ HAD SUFFERED MUCH AS A RESULT OF THE OIL COMPANIES  
PASSIVE POLICY OF QUOTE PROCRASTINATION AND MANOEUVRES UNQUOTE.  
THERE HAD BEEN CLEAR LAGGING BEHIND IN THE FIELD OF PRODUCTION  
AND THERE WAS A LIST OF OUTSTANDING DISPUTES WHICH STILL  
AWAIT A JUST SOLUTION .

(C) IN THE PAST IRAQ HAD TRIED TO FIND SOLUTIONS THROUGH NEGOT-  
IATIONS WITH THE COMPANIES WHO HAD HOWEVER STUCK TO THEIR TRADITIONAL  
POLICY OF BARGAINING AND PROCRASTINATION .

THIS LED TO LAW 80 OF 1961 AND LAW 97 OF 1967.

(D) THE JULY 17 REVOLUTION HAD TAKEN PRACTICAL AND SPEEDY STEPS  
TO IMPLEMENT THE POLICY OF DIRECT NATIONAL EXPLOITATION OF OIL  
THROUGH BOLSTERING THE NATIONAL OIL COMPANY.

(3) THE COMPANIES NOW OPERATING IN IRAQ WERE CALLED UPON MORE  
THAN EVER TO QUOTE REVISE THEIR ATTITUDE TO WARDS IRAQ'S RIGHTS  
AND THEIR POLICY OF PROCRASTINATION WHICH COULD NEVER BE TO  
THEIR ADVANTAGE. UNQUOTE.

FCO PLEASE PASS SAVING TO BEIRUT PARIS TEHRAN WASHINGTON AND THE  
HAGUE

MR. EVANS

[REPEATED AS REQUESTED]

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P.A.  
JW  
14/11



to Reuben

I attach a draft on the lines  
we discussed.

John Weant

Mr 25/11 ✓ and especially 38  
N.E.D. } after action  
W.E.D. }  
✓  
MW 9/12  
Recast draft to issue.

13/4  
L. Evans shd see.  
R.E.  
25/11. Jm

W  
19/11

p. a.  
MW 12/12



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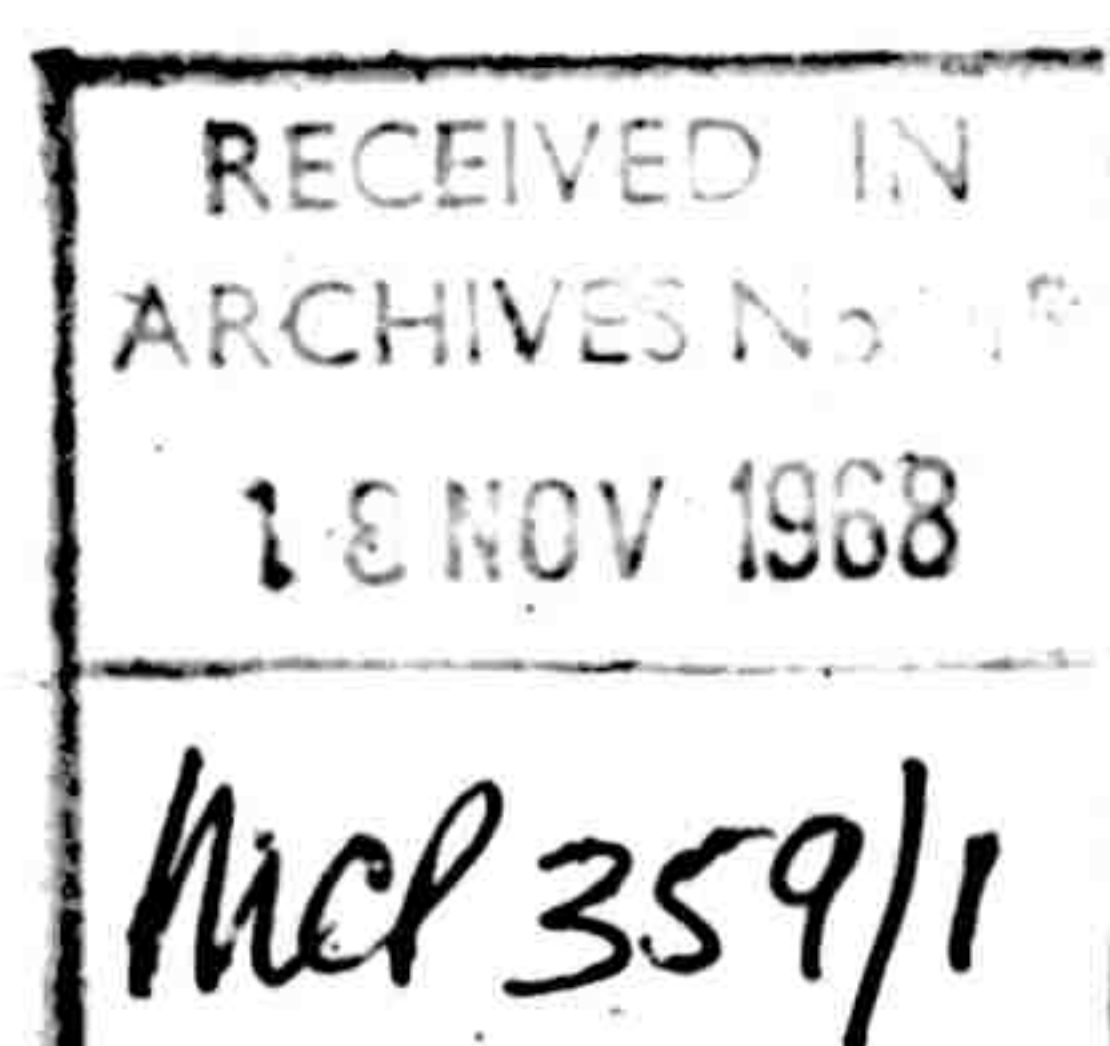
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CYPHER/CAT A  
ROUTINE BAGHDAD  
TELEGRAM NO 421

TO FOREIGN AND COMMONWEALTH OFFICE  
14 NOVEMBER 1968



CONFIDENTIAL

ADDRESSED TO F C O TELEGRAM NUMBER 421 OF 14 NOVEMBER  
REPEATED FOR INFORMATION SAVING TO BEIRUT PARIS WASHINGTON  
THE HAGUE AND TEHRAN.

3 MY TELEGRAM NO 411: IRAQI OIL.

I HAVE DEFERRED COMMENT AS DR. NADIM PACHACHI HAD ARRANGED  
TO CALL ON ME. I SAW HIM YESTERDAY.

2. IN GENERAL, PRESIDENT BAKR HAS NOW SAID IN PUBLIC  
MORE OR LESS WHAT HE, GENERAL TAKRITI AND DR. RAFAI, MINISTER  
OF OIL, HAVE BEEN TELLING COMPANY'S REPRESENTATIVES AND MYSELF  
OVER PAST COUPLE OF MONTHS. COMPANY'S LOCAL REPRESENTATIVES ARE  
FAVOURABLY IMPRESSED BY RELATIVE MODERATION OF LANGUAGE.

3. PACHACHI, WHO WAS ALSO IMPRESSED BY DR. RAFAI'S PERSONALITY  
AND BY IRAQI'S MODERATE BEHAVIOUR AT OPEC, WHERE IT SEEMS THEY  
FELT THEY WERE AT SOME DISADVANTAGE VIS-A-VIS THEIR MORE  
SUCCESSFUL AND CONFIDENT FELLOW MEMBERS, SAID THAT HE BELIEVED  
GENERAL TAKRITI WAS IN FAVOUR OF A SETTLEMENT AND THAT  
HE, PACHACHI, HAD, THROUGH FRIENDLY INTERMEDIARIES,  
BEEN URGING HIM TO RECOGNISE COMPANY'S RIGHT TO COMPENSATION  
FOR LOSS OF CONCESSIONARY RIGHTS. WITHOUT THIS THEY COULD NOT  
HOPE TO GET AGREEMENT ON ROYALTY EXPENSING OR ON PARTICIPATION IN  
EQUITY WHICH HAD COME UP IN RATHER A HALF-HEARTED WAY IN THE  
OPEC CONFERENCE. ONCE PRINCIPLE WAS ADMITTED, ACTUAL

/COMPENSATION

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(Reply at 29)  
A letter (at para 26) has also  
since gone to HH Amb., Baghdad.)

Analysed Dept. (the Genl).  
then p.a.  
JW 25/11



- 2 -

COMPENSATION COULD BE MADE IN CRUDE WITH ARRANGEMENTS FOR IPC TO ACT AS A CONTRACTOR TO IRAQ NATIONAL OIL COMPANY. THIS WOULD ENABLE THE MANY INDEPENDENT OIL COMPANIES WHO ARE READY TO DO SO TO COME TO IRAQ AND TO WORK UNDER CONTRACTUAL ARRANGEMENTS WITH INOC. (HAHN RATHER GATHERED FROM MINISTER OF OIL IN INTERVIEW REFERRED TO IN MY TELEGRAM NO 394 THAT SOME SUCH SUPERVISORY ROLE WAS ENVISAGED FOR INOC.) PACHACHI WENT ON TO SAY THAT TIME SHOULD NOT BE LOST IN WORKING OUT DETAILED TEXTS; WHAT THEY REQUIRED WAS HEADS OF AGREEMENT APPROVED BY GOVERNMENT AND PARTY. DETAILED TEXTS COULD THEN BE WORKED OUT LATER AND GOVERNMENT AND PARTY WOULD BE BOUND TO ACCEPT THEM. THIS IS WHAT HAD HAPPENED IN 1961 WHEN, UNDER (? GP OMTD.), HE HAD BEEN DIRECTOR GENERAL OF NATIONAL ECONOMY RESPONSIBLE FOR OIL AFFAIRS AND HAD WORKED ON THE 50/50 AGREEMENT. (19)

4. PACHACHI SAID DIFFICULTY COULD BE EXPECTED FROM THE AMERICAN SHAREHOLDERS, WHO CONSIDERED THAT EVEN A DEMAND FOR COMPENSATION IMPLIED RECOGNITION OF LEGALITY OF UNILATERAL ACTION. JERSEY HAD EVEN HANDED OVER TO MOBIL ITS SHARE IN THE MIXED COMPANY PROVIDED FOR IN WATARI AGREEMENT.

5. WE NATURALLY ENCOURAGED PACHACHI TO CONTINUE TO TRY TO INFLUENCE TAKRITI IN RIGHT DIRECTION, BUT AGREED THAT TAKRITI'S HANDS WERE PROBABLY NOT FREE. PACHACHI SAID HE DID NOT KNOW WHETHER TAKRITI COULD CARRY THE PARTY WITH HIM. (THE IPC LOCAL REPRESENTATIVES HAVE, HOWEVER, LEARNED THAT PARTY AUTHORISED TAKRITI TO SPEAK AS HE DID TO SUTCLIFFE AND MACDONALD - PLEASE SEE MY TELEGRAM NO 348 - AND, AS TAKRITI HAS SAID HIMSELF, THE MORE FAVOURABLE RESPONSE HE HAS FROM COMPANY, THE STRONGER WILL BE HIS POSITION VIS-A-VIS HIS COLLEAGUES AND THE PARTY.) (17)

6. IT IS GENERALLY ADMITTED THAT MUCH OF IPC'S DIFFICULTY IS DUE TO ITS' QUADRIPARTITE NATURE, AS A RESULT OF WHICH ANY AGREEMENT IS ONLY POSSIBLE ON THE BASIS OF LOWEST COMMON DENOMINATOR. IN PRESENT POLITICAL CLIMATE HERE THE /ATTITUDE



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BOMBAD TELEGRAM NO. 421 TO FOREIGN AND COMMONWEALTH OFFICE

- 3 -

ATTITUDE OF AMERICAN PARTNERS, WHILE UNDERSTANDABLE, IS A SPECIALLY SERIOUS OBSTACLE. IF, AS YOU INDICATE IN YOUR TELEGRAM NO 389 JERSEY ARE NOT REALLY INTERESTED. AND IF MOBIL ARE UNDULY OBSTRUCTIVE, MIGHT NOT THE ANSWER BE FOR THE OTHER PARTNERS TO BUY THEM OUT? THIS SUGGESTION IS OF COURSE ENTIRELY PERSONAL AND I REALISE THAT IT RAISES ISSUES FAR BEYOND MY COMPETENCE . IT DOES HOWEVER SEEM GENERALLY AGREED THAT THERE IS NEED FOR A NEW INITIATIVE.

FCO PASS SAVING TO BEIRUT PARIS WASHINGTON THE HAGUE AND TEHRAN.

MR. EVANS            / REPEATED AS REQUESTED /  
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CYPHER/CAT A AND BY BAG  
ROUTINE FOREIGN AND COMMONWEALTH OFFICE  
TELEGRAM NUMBER 418

TO BAGHDAD  
15 NOVEMBER 1968.  
(C. & O.D.)

25

CONFIDENTIAL

ADDRESSED TO BAGHDAD TELNO 418 OF 15/11 REPEATED FOR INFORMATION  
SAVING TO BEIRUT, THE HAGUE, PARIS, TEHRAN AND WASHINGTON.

19

21

YOUR TELEGRAM NOS. 394 AND 405: IRAQ OIL.

FOR YOUR INFORMATION CONSULTATIONS AMONGST THE IRAQ PETROLEUM  
COMPANY GROUPS, INCLUDING SENIOR EXECUTIVES FROM THE HEAD OFFICES  
OF THE AMERICAN COMPANIES, ARE EXPECTED TO COME TO A HEAD NEXT WEEK.  
IT IS HOPED A COMMON LINE CAN THEN BE AGREED WITH A VIEW TO A TEAM  
GOING TO BAGHDAD, PERHAPS THE FOLLOWING WEEK. IT NOW SEEMS GENERAL-  
LY ACCEPTED THAT THIS TEAM SHOULD BE EMPOWERED TO NEGOTIATE RATHER  
THAN MERELY CONTINUE TO EXPLORE, BUT IT IS TOO EARLY EVEN TO  
SPECULATE ON THE TEAM'S TERMS OF REFERENCE AND THE SCOPE OF NEGOT-  
IATION.

STEWART

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pa.  
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PRIORITY MARKINGS

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JTF  
15/11

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[Codeword—if any]

Addressed to BAGHDAD

telegram No. 418 (date) 15/11.

And to

Saving  
repeated for information/to BEIRUT THE HAGUE  
PARIS TEHRAN, WASHINGTON

Saving to

Your telegram Nos. 394 [6 November] and 405  
[9 November] : Iraq Oil.

For your own information consultations amongst  
the Iraq Petroleum Company Groups, including senior  
executives from the head offices of the American  
companies, are expected to come to a head next week.  
It is hoped a common line can then be agreed on with  
a view to a team going to Baghdad, perhaps the following  
week. It now seems generally accepted that this team  
should be empowered to negotiate rather than merely  
continue to explore, but it is too early even to  
speculate on the team's terms of reference and the  
scope of negotiation.

Draft Telegram to:—

BAGHDAD

No. 418.

(Date) 15/11.

And to:—

Saving  
Repeat/to:—

BEIRUT  
THE HAGUE  
PARIS  
TEHRAN  
WASHINGTON

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Min of Power  
Mr. Derrick,  
Treasury

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NOTHING TO BE WRITTEN IN THIS MARGIN



Paragraph 4 of Mr ~~Edward~~ Fearnley's  
 letter of 19 November to the ~~adviser~~.  
 It has now been agreed that  
 a limited amount of time  
 should be devoted to the Middle  
East following consultations on  
African questions during the  
 week beginning 15 December.

*Robert*  
 4/12

M<sup>2</sup> ~~Fearnley~~ <sup>11/12/68</sup> to see  
 M<sup>2</sup> Wallis <sup>12/12</sup> + P.A.

*W. H. H. H. H.*

11/12/68.



PERSONAL & CONFIDENTIAL

(26)

(MCP 359/1)



19 November, 1968

Iraq Petroleum Company

(20)

Thank you for your letter (12/2) of 2 November. (Since you wrote there have, of course, been further exchanges of telegrams between us.)

2. I was puzzled by the references in your first paragraph to the position of John Sutcliffe of BP. It may be that there was some inadvertent telescoping of drafting or of syntax which has misled me. I have known Sutcliffe for a number of years and am familiar with his general style as well as with his thinking on current IPC problems. In view of this I find it very difficult to believe that he should be privately seeking our aid to influence his masters in BP. Certainly the suggestion that we might enlist the support of Humphrey Trevelyan does not fit in with the Sutcliffe I know; he is well aware that this is not our way of doing things and that, if we were to do this, it would be seriously counter-productive within BP, even assuming that Humphrey Trevelyan would be ready to entertain such an approach from us. It may be that this Trevelyan point has been garbled (? by Hahn); I know that Sutcliffe has informally floated the idea in IPC circles that if a visit by a high-level personality seemed at some time a useful negotiating move, Trevelyan might well be the man for this now that Bridgeman's BP days are virtually over. When I saw Sutcliffe a few days ago, he spoke readily and frankly about his and BP's thinking on the IPC problem and it was quite clear that there were no internal BP obstacles to his own ideas.

3. Having said that about Sutcliffe, I am not surprised at the line you describe in your first paragraph coming from Hahn. Although I have met Hahn only rarely and at wide intervals, I have followed his IPC activities here and there for some years and have had qualms about him for some time. I did not express these qualms to you at the time of his appointment because they were more of a hunch than 'hard evidence' and I did not wish to seem to be damning him before he had a chance to show his paces in his new job. When Dalley originally mentioned the proposed appointment to me (Foreign Office telegram No. 93 of 27 June to you), he fished for my opinion. Since the appointment had already been approved by the IPC Board and in view of the basis of my judgment of Hahn as a

T.E. Evans Esq., C.M.G., O.B.E.,  
HM Ambassador,  
BAGHDAD.

(1)

PERSONAL & CONFIDENTIAL

OD  
193/7

(144)



PERSONAL & CONFIDENTIAL

described above, I confined myself to wondering aloud whether Hahn would be able to lie low when necessary and to eschew being too active when this would be inopportune. Dalley clearly took the point and showed no disposition to dispute it. Since then I have been left in no doubt by a number of the people directly associated with the IPC that Hahn's tendency to be 'over active' and to force the pace is not well regarded. If he is not careful, he may come to be regarded as the tail attempting to wag the IPC dog. A senior executive of a Group which certainly favours a flexible approach to the IPC question made a very sharp comment in this sense to me in strict confidence only a few days ago. (This was sparked off by Hahn's recent further\* visit to London when a number of people thought he would do better staying at his post in Baghdad.)

\* (he is still here having been delayed by illness but is due to return in a day or two.)

4. I am sure you have sensed this about Hahn during your close personal contacts with him in recent months. Nevertheless I thought you should know that, as seen from here, if he attempts to force the pace too much, the effect could well be counter-productive and make a solution of the intractable IPC problem even more difficult; a solution which Hahn himself as well as you and we want to see and which most of the companies and people directly concerned here are seeking with a degree of flexibility which the IPC has not always shown in the past. But Hahn is the man with whom you have to deal and your relations with him are valuable to us as well as yourself. We fully appreciate that your task is not made easier by this aspect of his personality.

5. As regards what you report of Hahn's views on the strategy to be adopted by IPC with the Iraqis, our only comments at the moment are that - as you yourself imply in your paragraph 3 - Hahn seems to be rather over-simplifying things and drawing parallels with the Lebanon which might well not stand up to close examination. Certainly, after some years dealing with Iraq oil affairs I have no doubt myself that the Iraqis are a law unto themselves.

6. On the broader question, as you know from earlier correspondence, we certainly agree with the principle of the need for as prompt (and constructive) an IPC response as possible and a flexible approach. But, leaving aside any inter-Group differences, I do not envy the task of those who have to put this principle into practice in terms of strategy, tactics, timing and general judgment. Nor, I am sure, do you.

7. Your letter will not, of course, be circulated outside the FCO; nor will this reply, which has been seen by Tony Moore and which is equally for private background information.

(J.T. Fearnley)

(2)

PERSONAL & CONFIDENTIAL



Registry MCP 359/1  
No.

DRAFT LETTER

Type 1 +

SECURITY CLASSIFICATION

Top Secret.  
Secret  
Personal Confidential.  
Restricted.  
Unclassified.

PRIVACY MARKING

In Confidence

To:—

T.E. Evans Esq.,  
C.M.G., O.B.E.,  
HM Ambassador,  
Baghdad.

From

J.T. Fearnley  
Telephone No. & Ext.

Department

Iraq Petroleum Company

Thank you for your letter (12/2) of 2 November. (Since you wrote there have, of course, been further exchanges of telegrams between us.)

Mr. Moore first

Mr. Arthur a.a.

Mr. Gallagher o.r.

257/11

2. I was puzzled by the references in your first paragraph to the position of John Sutcliffe of BP. It may be that there ~~was~~ ~~been~~ some inadvertent telescoping of drafting or of syntax which has misled me. I have known Sutcliffe for a number of years and am familiar with his general style as well as with his thinking on current IPC problems. In view of this I find it very difficult, ~~indeed~~ ~~virtually impossible~~, to believe that he should be privately seeking our aid to influence his masters in BP. ~~Furthermore~~ <sup>Certainly</sup> the suggestion that we might enlist the support of Humphrey Trevelyan does not fit in with the Sutcliffe I know; ~~if only because he knows full~~ <sup>is aware</sup> well that this is not our way of doing things and ~~would realise~~ <sup>were to do</sup> that, if we ~~did~~ this, it would be seriously counter-productive within BP, even assuming that Humphrey Trevelyan would be ready to entertain such an approach from us. It may be that this Trevelyan point has been garbled <sup>(?)</sup> by Hahn); I know that Sutcliffe has informally floated the idea in IPC circles that if a visit by a high-level personality

/seemed

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seemed at some time ~~a desirable~~ <sup>useful</sup> negotiating move, Trevelyan might well be the man for this, ~~particularly~~ now that Bridgeman's BP days are virtually over. When I saw Sutcliffe ~~recently~~ <sup>a few days ago,</sup> he spoke readily and frankly about his and BP's thinking on the IPC problem and it was quite clear that there were no internal BP obstacles to his own ideas.

3. Having said that about Sutcliffe, I am not surprised ~~that~~ <sup>at</sup> the line you describe in your first paragraph ~~should come~~ <sup>coming</sup> from Hahn. Although I have met Hahn only ~~briefly~~ <sup>rarely</sup> and at wide intervals, I have followed his IPC activities here and there for some years and have had qualms about him for some time. When Dalley originally mentioned the proposed appointment to me (Foreign Office telegram No. 93 of 27 June to you), he ~~wished~~ <sup>asked</sup> for my opinion. Since the appointment had already been approved by the IPC Board and in view of the basis of my judgment of Hahn as described above, I confined myself to wondering aloud whether Hahn would be able to lie low when necessary and to eschew being too active ~~in one way and another~~ when this would be inopportune. Dalley clearly took the point and showed no disposition to dispute it. Since then I have been left in no doubt by a number of the people directly associated with the IPC that Hahn's tendency to be 'over-active' and to force the pace ~~willy-nilly~~ is not well regarded.

A senior executive of a Group which certainly favours a flexible approach to the IPC question made a very sharp comment in this sense to me in strict confidence only a few days ago. <sup>(This was sparked off by Hahn's recent visit to London, when a number of people thought he would be better staying at his post in Baghdad)</sup>

4. I am sure you have sensed this about Hahn

I did not express these qualms to you at the time of his appointment because they were more of a hunch than 'hard evidence' and I did not wish to seem to be damning him before he had a chance to show his paces in his new job.

If he is not careful, he may come to be regarded as the tail attempting to wag the IPC dog.

[Shell]

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NOTHING TO BE WRITTEN IN THIS MARGIN

<sup>during</sup>  
~~in view of~~ your close personal contacts with him in recent months. Nevertheless I thought you should know that, as seen from here, if he attempts to force the pace too much, the effect could well be counter-productive and make a solution of the intractable IPC problem even more difficult; a solution which Hahn himself as well as you and we want to see and which most of the companies and people directly concerned here are ~~genuinely~~ seeking with a degree of flexibility which the IPC ~~as a whole~~ has not always shown in the past. <sup>But</sup> ~~Since~~ Hahn is the man with whom you have to deal and ~~since~~ your relations with him are valuable to us as well as yourself, <sup>We</sup> fully appreciate that your task is not made easier by this aspect of his personality.

5. As regards what you report of Hahn's views on the strategy to be adopted by IPC with the Iraqis, our only comments at the moment are that - as you yourself imply in your paragraph 3 - Hahn seems to be rather over-simplifying things and drawing parallels with the Lebanon which might well not stand up to close examination. Certainly, after some years dealing with Iraq oil affairs I have no doubt myself that the Iraqis are a law unto themselves.

6. On the broader question, as you know from earlier correspondence, we certainly agree with the principle of the need for as prompt (and <sup>constructive</sup> ~~judicious~~) an IPC response as possible and a flexible approach. But, leaving aside any inter-Group differences, I do not envy the ~~task~~ of

/those

CONFIDENTIAL



CONFIDENTIAL

those who have to put this principle into practice  
in terms of strategy, tactics, ~~and~~ timing. Nor,  
I am sure, do you.

and general  
judgment.

7. Your letter will not, of course, be circulated  
outside the FCO; nor will this reply, which  
~~reflects Tony Moore's views as well as my own, and~~  
~~and which is equally for <sup>private background</sup> information.~~

which has been  
seen by Tony  
Moore

ll

18/11

NOTHING TO BE WRITTEN IN THIS MARGIN

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CONFIDENTIAL

(27)

Foreign and Commonwealth Office  
London S.W.1

(MCP 359/1)

19 November, 1968

Iraq Oil

(22)

Thank you very much for your letter (27/20) of 8 November about your conversation with Vincent Labouret.

2. His reserved view about the stability of the present situation in Iraq and the linked prospects for IPC was of particular interest, bearing in mind that CFP would like to see an overall settlement, even on radical lines, if they thought one could be obtained and would stick. Your account was particularly valuable since I had not seen Jean Danner, because of his being out of London, for a few weeks. In the past Danner and Labouret have often seemed to see Iraq oil questions very much eye to eye.

3. However, Danner returned just as I was about to reply to your letter and spoke to me on the telephone. Whatever his view a few weeks ago, he now certainly thinks that the IPC should try for an overall settlement (with maximum caution about how the negotiating cards are actually played) and, with the approval of Victor de Metz, will be proposing this to his IPC colleagues this week. (I would prefer you not to mention to Labouret this apparent conflict with his evidence. A change of Danner's mind would not be surprising in the light of the difficulties everyone concerned in IPC has had in making a judgment and even a week can show a considerable change in the thinking of any of those dealing with this intractable subject. Furthermore it is possible that Danner will temper his present thinking in the light of discussion with his colleagues.)

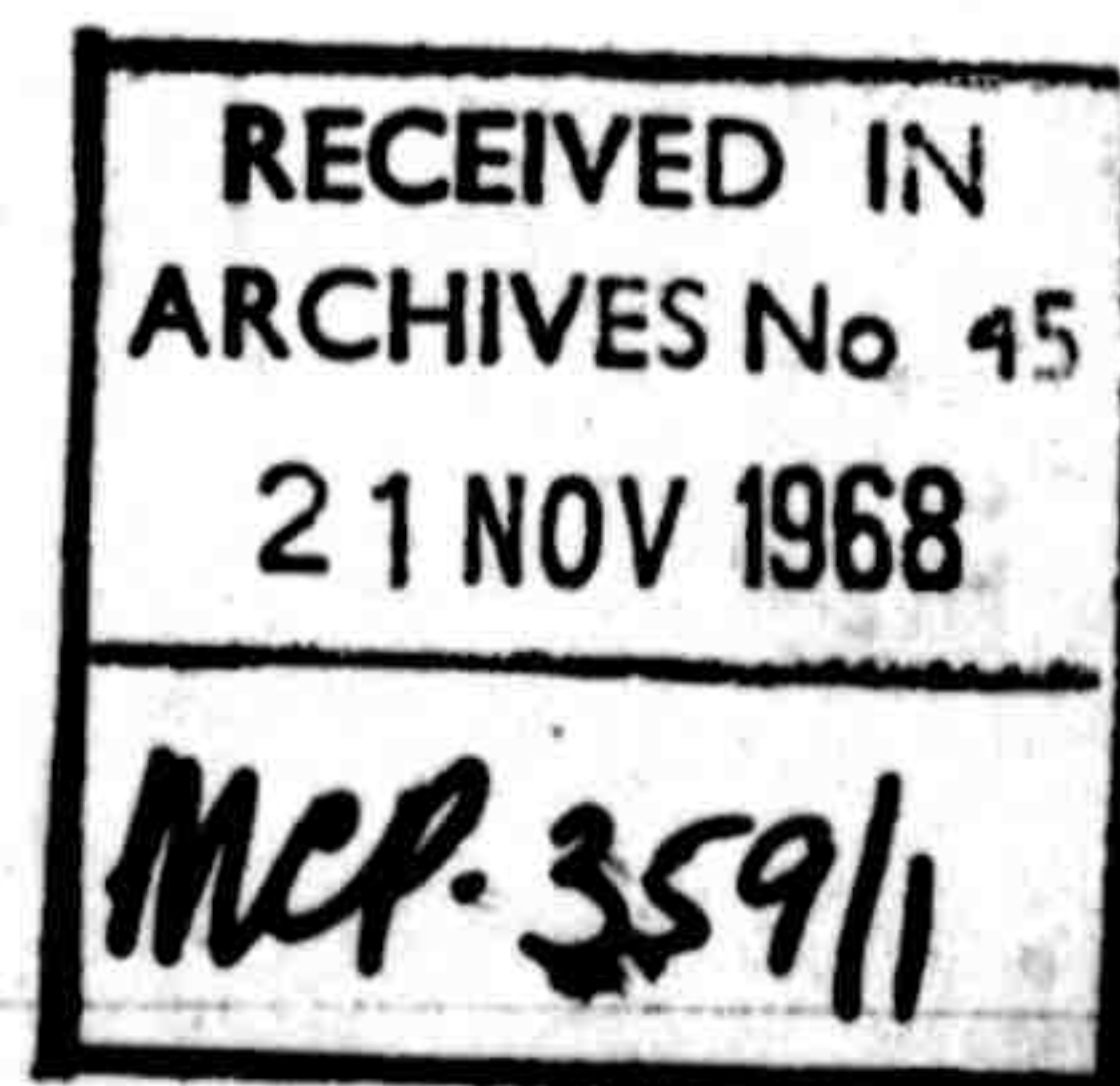
(4. I am drawing the attention of Near Eastern Department to your paragraph 8 about Anglo-French talks on the Middle East.)

5. As you will have seen from recent telegrams, the IPC Groups are at this moment in the process of deciding the line for the next round with the Iraqis. There is nothing particular at present which we should like you to say to Labouret; I shall let you know whenever there is any special point we should like you to put to him in addition to, or in support of, whatever we might be saying to Danner here. However, as the above

W.B.J. Ledwidge Esq., C.M.G.,  
HM Embassy,  
PARIS.

(1)

CONFIDENTIAL







( shows, we shall have to be careful about not crossing wires and not getting out of step. In the meantime please be guided by our telegrams and other correspondence and concentrate on drawing Labouret out as you did, if I may say so, so successfully at your last meeting.

6. I need hardly say that one aspect which we should want you not to refer to is any difference in attitudes amongst the Groups which we might record from time to time and in particular any which might seem to show a division on European/American lines. (On the latter point you will have seen from our telegrams that there is no such division.)

(J.T. Fearnley)

copies:

Chanceries,  
Washington  
The Hague  
Tehran  
Baghdad  
Beirut

A.T. Gregory Esq.,	}	with a copy of Mr. Ledwidge's letter of 8/11
Ministry of Power.		
F.P.B. Derrick Esq.,		
Treasury.		



Registry  
No. MCP 359/1

DRAFT LETTER

Type 1 +

SECURITY CLASSIFICATION

Top Secret.  
Secret.  
Confidential.

Restricted. JW/JTF  
Unclassified. 19.11

PRIVACY MARKING

In Confidence

To:—

W.B.J. Ledwidge Esq.,  
C.M.G.,

PARIS

From

J.T. Fearnley  
Telephone No. & Ext.

Department

copies as at end  
of letter.

Iraq Oil

Thank you very much for your letter  
(27/20) of 8 November about your conversation  
with Vincent Labouret.

2. His reserved view about the stability of  
the present situation in Iraq and the linked  
prospects for IPC was of particular interest,  
bearing in mind that CFP would ~~very much~~ like  
to see an overall settlement, even on radical  
lines, if they thought one could be obtained  
and would stick. Your account was particularly  
valuable since I had not seen Jean Danner,  
because of his being out of London, for a few  
weeks. In the past Danner and Labouret have  
often seemed to see Iraq oil questions very  
much eye to eye. <sup>3.</sup> However, Danner returned just  
as I was about to reply to your letter and spoke  
to me on the telephone. Whatever his view <sup>a</sup> ~~two~~  
weeks <sup>or so</sup> ago, he now <sup>certainly</sup> thinks that the I<sup>r</sup>C  
should <sup>try</sup> ~~go~~ for an overall settlement (with ~~all~~  
<sup>maximum</sup> ~~necessary~~ caution about how the negotiating <sup>cards</sup>  
are actually played) and, with the approval of  
Victor de Metz, will be proposing this to his  
IPC colleagues this week. (~~We should not wish~~  
<sup>I would prefer</sup> you <sup>not</sup> to mention this apparent <sup>change</sup> ~~conflict~~ of view  
to Labouret. <sup>A change of Danner's mind and</sup> ~~It is~~ not surprising in the light  
of the difficulties everyone concerned in IPC  
has had in <sup>making</sup> ~~coming to~~ a judgment and ~~in any case~~  
even a week can show a considerable change in

/the

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conflict with his  
evidence.



CONFIDENTIAL

the thinking of ~~a single individual~~ <sup>any of those dealing with</sup> on this intrac-  
table subject. ) // (I am drawing the attention of  
Near Eastern Department to your paragraph 8 about  
Anglo-French talks on the Middle East).

5. As you will have seen from recent telegrams,  
the IPC Groups are at ~~present~~ <sup>this moment</sup> in the process of  
deciding the line for the next round with the  
Iraqis. There is nothing particular at ~~the present~~  
~~moment~~ which we should like you to say to Labouret;  
I shall let you know whenever there is any special  
point we should like you to put to him in addition  
to, or in support of, whatever we might be saying  
to Danner here. However, as ~~this recent episode~~ <sup>above</sup>  
shows, we shall have to be careful about not  
crossing wires and ~~not~~ getting out of step. ~~in~~  
~~timing~~. In the meantime please be guided by our  
telegrams and other correspondence <sup>and</sup> concentrat~~ing~~  
on drawing Labouret out as you did, if I may say  
so, so successfully at your last meeting.

6. I need hardly say that one aspect which we should  
want you not to refer to is any difference in  
attitudes amongst the Groups which we might record  
from time to time and in particular any which  
might seem to show a division on European/American  
lines. (On the latter point you will have seen from  
~~recent~~ <sup>our</sup> telegrams that there is no such ~~clear~~  
~~cut~~ division.) ~~Indeed Labouret's and Danner's~~  
~~opinions suggest that there may be as many~~  
~~separate minds within companies as between them.~~

Furthermore it  
is possible that  
Danner will temper  
his present thinking  
with light of  
discussion with  
his colleagues.

NOTHING TO BE WRITTEN IN THIS MARGIN

Copies to.

W

19/11

CONFIDENTIAL





CONFIDENTIAL  
MINISTRY OF POWER

PETROLEUM DIVISION

Thames House South, Millbank, LONDON S.W.1

Telephone: Abbey 7000 - Ext. 1081

Our reference:

19th November, 1968.

Your reference:

*enter*  
*W 20/11*  
R.H. Ellingworth, Esq.,  
Commodities & Oil Dept.,  
Foreign & Commonwealth Office  
Downing Street,  
S.W. 1.

*Dear Sir,*

*M<sup>2</sup> Wait. W 20/11.*

(23)

Baghdad telegram No.411 which suggests the  
other members of IPC buy out the Americans.

X | We can't afford it (and I doubt if we can  
afford a settlement anyway).

*Yam-seu*  
*Sydney*

S.W. FREMANTLE

*N 26/11 P.A.*  
*to head of*  
*to Ellingworth. W 26/11*

Ref X: I have discussed with Mr  
Fremantle, who has told me that  
we may soon receive a letter from  
the Ministry of Power on the question  
of the IPC settlement.

*John Wain't 26/11*





29

TOP COPY

CONFIDENTIAL

CYPHER/CAT A AND BY BAG  
PRIORITY FOREIGN AND COMMONWEALTH OFFICE  
TELEGRAM NUMBER 430

TO BAGHDAD  
19 NOVEMBER 1968. C. &

CONFIDENTIAL.

ADDRESSED TO BAGHDAD TELEGRAM NUMBER 430 OF 19 NOVEMBER REPEATED FOR INFORMATION TO WASHINGTON AND SAIGON TO BEIRUT, THE HAGUE, PARIS AND TEHRAN.

IRAQ OIL.

24

25

YOUR TELEGRAM NUMBER 421 CROSSED MY TELEGRAM NUMBER 418.

2. YOUR TELEGRAM REINFORCES PREVIOUS ONES FROM YOU ON THIS SUBJECT BY HIGHLIGHTING THE KEY PROBLEM FACING THE IRAQ PETROLEUM COMPANY, NAMELY THE WILLINGNESS AND ABILITY OF THE PRESENT REGIME TO REACH AN OVERALL SETTLEMENT AND TO MAKE IT STICK (PARAGRAPH 2 OF MY TELEGRAM NUMBER 389). A GREAT DEAL, PERHAPS TOO MUCH FOR COMFORT, SEEMS TO DEPEND ON TAKRITI, WHOSE POSITION IN YOUR AND PACHACHI'S VIEW IS BY NO MEANS SURE, IN PARTICULAR AS REGARDS HIS STANDING WITH THE BA'ATHIST PARTY AS WELL AS THE GOVERNMENT.

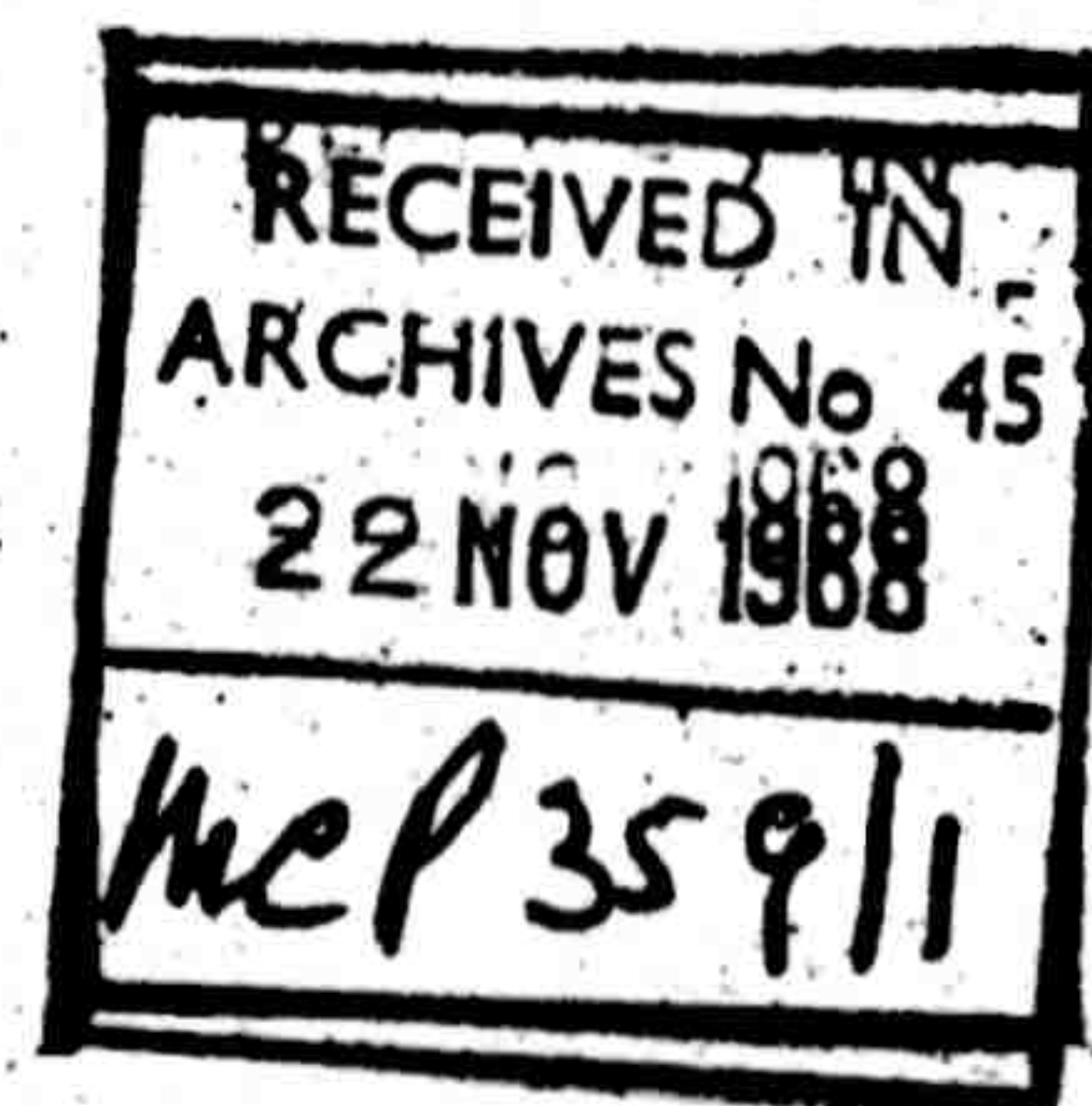
18

3. SUTCLIFFE OF BP, TO WHOM WE GAVE GIST OF PACHACHI'S COMMENTS IN YOUR PARAGRAPHS 3 AND 5 COMMENTED THAT THESE LARGELY ECHOED ON THE ONE HAND WHAT SUTCLIFFE AND MACDONALD HAD ALREADY SAID TO TAKRITI AND ON THE OTHER WHAT MEMBERS OF THE IPC HAD THEMSELVES SAID TO PACHACHI.

4. AGAINST THIS BACKGROUND AND IN VIEW OF THE IRAQIS' BEHAVIOUR IN THE PAST THE TASK OF THE IPC GROUPS IN JUDGING THE BEST STRATEGY, TACTICS AND TIMING IS UNENVIABLE. HOWEVER FRUSTRATING INTER-GROUP DIFFERENCES HAVE BEEN AND NO DOUBT WILL BE AGAIN, THE GROUPS' HESITATIONS AND DOUBTS ARE, THEREFORE, BROADLY

/UNDERSTANDABLE.

CONFIDENTIAL



par  
for 2/1/1



UNDERSTANDABLE. NEVERTHELESS, AS FAR AS WE CAN JUDGE, THEY ALL NOW APPRECIATE THE NEED FOR AN EARLY APPROACH OF SUBSTANCE TO THE IRAQIS AND ARE GIVING SERIOUS THOUGHT TO THIS AT THIS MOMENT. WHETHER THEY WILL DECIDE ON A PIECEMEAL APPROACH ONLY OR WILL ALSO BE PREPARED TO PROPOSE AN OVERALL SETTLEMENT IF THE CLIMATE SEEMS RIGHT REMAINS TO BE SEEN.

5. IN THIS CONTEXT THE ATTITUDES OF THE US COMPANIES ARE IN NO SENSE OVERRIDING. WITH REFERENCE TO YOUR PARAGRAPH 6, WE HAVE NO EVIDENCE THAT MOBIL ARE BEING OBSTRUCTIVE: INDEED THEIR ATTITUDE FOR SOME TIME HAS BEEN CONSTRUCTIVE IN SPITE OF THE UNCERTAINTY WHICH THEY SHARE WITH THE OTHER GROUPS. JERSEY, ALTHOUGH THEY HAVE CERTAINLY BEEN DOG-IN-THE-MANGER, ARE NOW PARTICIPATING IN SEEKING A COMMON LINE. EVEN IF JERSEY WERE TO SHY OFF ONCE AGAIN, THEY WOULD NOT NECESSARILY SEEK TO OBSTRUCT THE OTHERS, ALTHOUGH AS IN 1965 (OVER THE BAGHDAD OIL COMPANY PROJECT) THEY MIGHT NOT WISH TO ASSOCIATE THEMSELVES DIRECTLY WITH EVERY ELEMENT OF AN OVERALL SETTLEMENT. FURTHERMORE IT IS AT THE LEAST DEBATABLE WHETHER, UNDER THE TANGLED IPC QUOTE CONSTITUTION UNQUOTE, JERSEY COULD EFFECTIVELY OBSTRUCT A COURSE OF ACTION BACKED BY THE OTHER MEMBER COMPANIES. THE QUESTION OF THE OTHER COMPANIES BUYING THE AMERICANS OUT DOES NOT THEREFORE ARISE. EVEN ASSUMING THAT THIS WERE THE PRIOR CONDITION OF A SETTLEMENT, IT WOULD NOT ONLY RAISE SERIOUS QUESTIONS GOING BEYOND IRAQ, BUT WOULD STILL LEAVE THE REST OF THE IPC GROUPS FACED WITH THE PROBLEM OF DEALING WITH A REGIME, THE NEGOTIABILITY AND DURABILITY OF WHICH ON ALL AVAILABLE EVIDENCE SEEM FAR FROM CERTAIN.

STEWART

DEPARTMENTAL DISTRIBUTION  
COMMODITIES & OIL DEPT.  
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E.E.I.D.  
RESEARCH DEPT.  
GUIDANCE DEPT.  
INFORMATION RESEARCH DEPT.



Registry No.

DEPARTMENT

C. &amp; O.D.

• Date and time (G.M.T.) telegram should

reach addressee(s)

## SECURITY CLASSIFICATION

## PRIORITY MARKINGS

Top Secret  
Secret  
Confidential  
Restricted  
Unclassified

JTF  
19/11

Flash  
Immediate  
Priority  
Routine

(Date)

Dispatched

19/11  
1937  
**CYPHER**

## PRIVACY MARKING

In Confidence

En Clair.  
Code  
Cypher

[Security classification  
—if any]

CONFIDENTIAL

[Privacy marking  
—if any]

[Codeword—if any]

Addressed to BAGHDAD PRIORITY

telegram No. 430 (date) 19 November.

And to

repeated for information to WASHINGTON

Saving to BEIRUT THE HAGUE PARIS TEHRAN

Iraq Oil.

Your telegram No. 421 [14 November] crossed my  
telegram No. 418 [15 November].

2. Your ~~present~~ telegram reinforces previous ones  
on this subject by ~~underlining~~ <sup>highlighting</sup> the key problem facing  
the Iraq Petroleum Company, namely the willingness  
and ability of the present regime to reach an overall  
settlement and to make it stick, (paragraph 2 of my  
telegram No. 389). A great deal, perhaps too much  
for comfort, seems to depend on Takriti, whose  
position in your and Pachachi's view is by no means  
~~dominant~~ <sup>Sure, in particular as regards</sup> More knowledge of his standing with the  
Ba'athist party as well as the Government, ~~would~~  
~~clearly be valuable.~~

3. Sutcliffe of BP, to whom we gave gist of Pachachi's  
comments in your paragraphs 3 and 5 commented that

/these

CONFIDENTIAL

Draft Telegram to:—

BAGHDAD  
PRIORITY

No. 430

(Date) 19/11

And to:—

Cleared with  
Eastern Dept.  
(Mr. A. A. A.)

Repeat to:—

WASHINGTON

from you

Saving to:—

BEIRUT  
THE HAGUE  
PARIS  
TEHRAN

Departmental  
Distribution:—

C. & O.D., NED,  
Arabian, NAD,  
WED, News, EEID,  
Research Dept.  
Guidance Dept.  
IRD

Copies to:—

Mr. Gregory,  
Min of Power.  
Mr. Derrick,  
Treasury.

NOTHING TO BE WRITTEN IN THIS MARGIN

17/11/42  
19/11/42



CONFIDENTIAL

these <sup>largely</sup> ~~to a great extent~~ echoed on the one hand what Cutcliffe and MacDonald had already said to Takriti and on the other what members of the IPC had themselves said to Pachachi.)

4. Against this background and in view of the Iraqis' behaviour in the past the task of the IPC Groups in judging the best strategy, tactics and timing is unenviable. However frustrating inter-Group differences have been and no doubt will be again, the Groups' ~~present~~ <sup>therefore,</sup> hesitations and doubts are <sup>Nevertheless,</sup> broadly understandable. <sup>As</sup> far as we can judge, they all appreciate the need for an early approach of substance to the Iraqis and are giving serious thought to this at this moment. Whether they will decide on piecemeal approach only or will also be prepared to propose an overall settlement if the climate seems right remains to be seen. <sup>now</sup>

5. In this context the attitudes of the US companies are in no sense overriding. With reference to your paragraph 6, we have no evidence ~~here~~ that Mobil are being obstructive; indeed their attitude for some time has been ~~noticeably~~ <sup>uncertainty</sup> constructive in spite of the ~~doubts and hesitations~~ which they share with the other Groups. Jersey, although they have certainly been dog-in-the-manger, are now participating in seeking <sup>a</sup> common line. ~~But~~ <sup>Jersey</sup> Even if ~~they~~ <sup>they</sup> were to shy off once again, they would not necessarily <sup>seek to</sup> obstruct ~~an attempt~~ <sup>the others</sup> at a settlement, although as in 1965 (over the Baghdad Oil Company project) they might not wish to associate themselves directly with every element of an overall settlement. <sup>Furthermore,</sup> ~~In fact,~~ <sup>the</sup> it is at least debatable whether, under the tangled IPC 'constitution',

/Jersey

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NOTHING TO BE WRITTEN IN THIS MARGIN



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Jersey could effectively obstruct a ~~settlement~~ <sup>course of action</sup> backed by the other member companies. The question of the other companies buying the Americans out does not therefore arise. Even assuming that this were the prior condition of a settlement, it would not only raise serious ~~problems~~ <sup>questions</sup> going beyond Iraq, but would still leave the rest of the IPC Groups faced with the problem of dealing with a regime, the negotiability and durability of which ~~are~~ <sup>are</sup> ~~questionable~~ <sup>on all available evidence seem</sup> far from certain.

W

19/11

NOTHING TO BE WRITTEN IN THIS MARGIN

CONFIDENTIAL



*Commedhis Oil*

YTC/1

TELEGRAM SECTION  
Room 124 K.C.S  
Communications Department

Copy/ies of the following telegram has/have been sent

*439 1. Baghdad*

TO:

*Iraq Oil desk +  
Oil desk*

(Signed) .....  
(Department).....  
(Date).....

Action taken in Communications Department :

(Initials) ..... (Date) *22/11* .....

**AFTER ACTION THIS FORM SHOULD BE SENT TO  
THE APPROPRIATE ARCHIVES DIVISION FOR RETENTION**



CONFIDENTIAL  
AMENDMENT SLIP

*With 30*  
TOP COPY

*MC*

ECO TELEGRAM NO. 439 OF 21 NOVEMBER 1968 TO BAGHDAD

/IRAQ OIL/

FIRST PARAGRAPH, LINE 1. FOR "INFORMATION" READ  
"INFORMAL".

DEPARTMENTAL DISTRIBUTION

COMMODITIES & OIL DEPT.  
NEAR EASTERN DEPT.  
RESEARCH DEPT.  
INFORMATION RESEARCH DEPT.

COMMUNICATIONS DEPARTMENT

22 NOVEMBER, 1968

CONFIDENTIAL

NNNNN



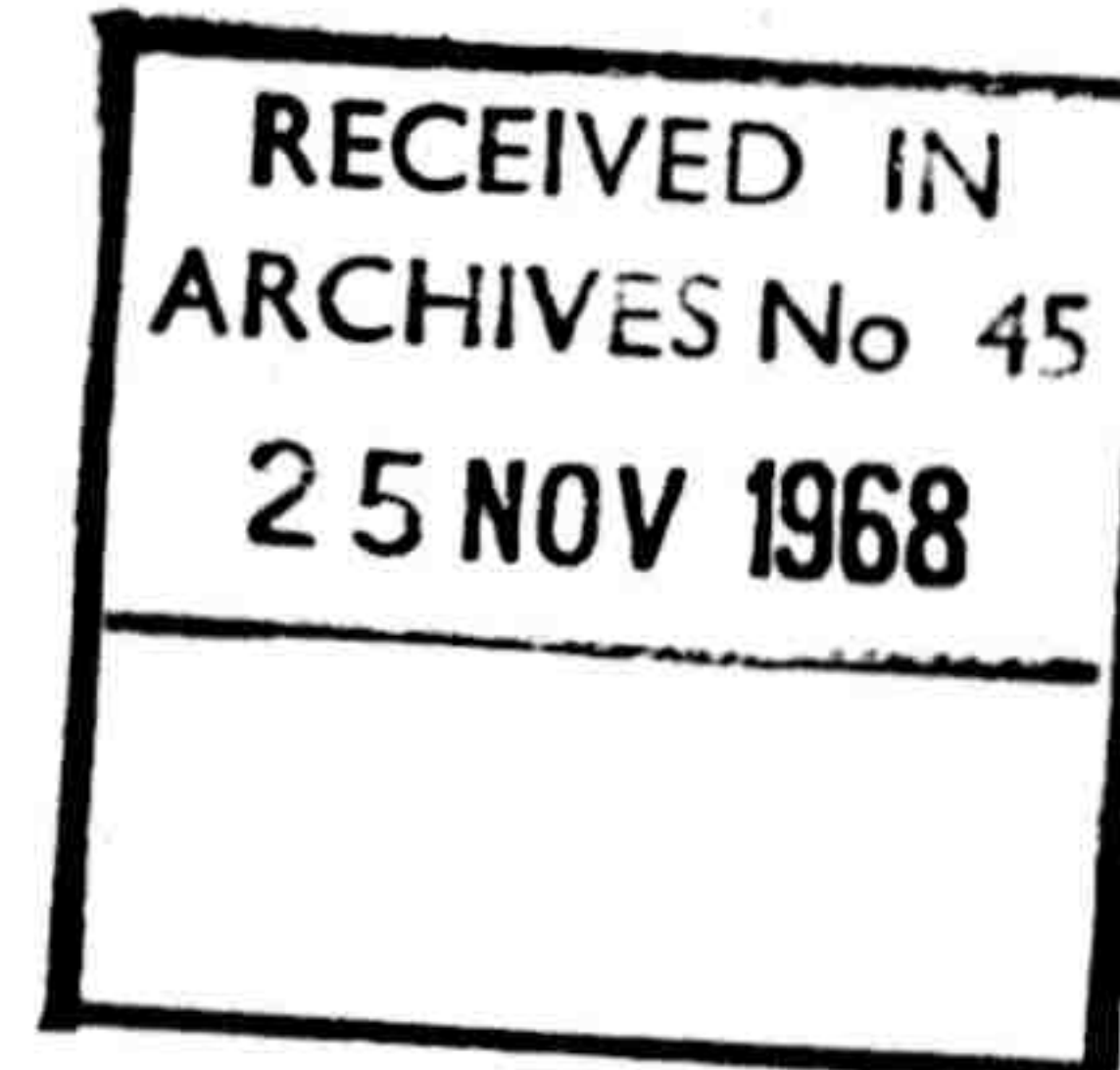
30

CONFIDENTIAL

TOP COPY

TYPER/CAT A AND BY BAG  
PRIORITY FOREIGN AND COMMONWEALTH OFFICE  
TELEGRAM NUMBER 439

TO BAGHDAD  
21 NOVEMBER 1968.  
(C. & O.D.)



CONFIDENTIAL

ADDRESSED TO BAGHDAD TELNO 439 OF 21 NOVEMBER REPEATED FOR INFORMATION SAVING TO PARIS TEHRAN WASHINGTON.

MY TELEGRAM NO 439 OF 19 NOVEMBER: IRAQ OIL.

29

INFORMAL.

FOLLOWING THEIR ~~INFORMATION~~ CONSULTATIONS OVER THE LAST FEW WEEKS THE IRAQ PETROLEUM COMPANY GROUPS HAVE NOW REACHED A CONSENSUS ON THE LINE TO BE TAKEN WITH THE IRAQI REGIME.

2. THE BROAD AIM IS AN OVERALL SETTLEMENT. BUT FIRST OF ALL SOUNDINGS ARE TO BE MADE BY THE I P C'S BAGHDAD REPRESENTATIVES OF THE ATTITUDES OF KEY PEOPLE IN THE PARTY/GOVERNMENT COMPLEX. SOME NAMES THAT HAVE BEEN MENTIONED BY I P C SOURCES ARE SHEIKHLY (FOREIGN MINISTER), SADDAM TAKRITI (REGIONAL SECRETARY-GENERAL OF THE PARTY), AMMASH (MINISTER OF THE INTERIOR) AS WELL AS GENERAL HARDAN TAKRITI HIMSELF, WHO SOME MEMBERS OF I P C CONSIDER TO BE OF LOWER STANDING IN THE PARTY THAN THE OTHER THREE. THIS IS, OF COURSE, A DIFFERENT MATTER FROM ANY ASSESSMENT WHICH MIGHT BE MADE OF HARDAN TAKRITI'S STANDING IN THE COUNTRY GENERALLY.) THE AIM OF THESE SOUNDINGS WILL BE TO DETERMINE WHETHER THE PRESENT EFFECTIVE RULERS OF IRAQ ARE SERIOUSLY PREPARED TO REACH AN OVERALL SETTLEMENT. THE I P C'S IDEA IS TO APPROACH SUCH A SETTLEMENT IN STAGES. THE FIRST STAGE WOULD BE AS RAPID A NEGOTIATION AS POSSIBLE OF A LIST OF PRINCIPLES OR HEADS OF AGREEMENT. 'RATIFICATION' OF WHICH BY THE IRAQ GOVERNMENT WOULD BE MATCHED BY THE I P C WITH AN IMMEDIATE DOWNPAYMENT OF, SAY, 25 MILLION POUNDS STERLING. (THIS WOULD LEAVE PERHAPS 40 TO 50 MILLION POUNDS STERLING FOR THE I P C STILL TO PLAY WITH.)

3. THE NEXT STAGE WOULD BE A START TO PRACTICAL IMPLEMENTATION OF THE HEADS OF AGREEMENT (E G RESUMED EXPLORATION AND OILFIELD DEVELOPMENT) CONCURRENT WITH NEGOTIATION OF DETAILED TEXTS ELABORATING THE HEADS OF AGREEMENT. THE I P C RECOGNISE THAT THIS LATTER PROCESS WOULD

/ALMOST

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ALMOST CERTAINLY LEAD TO A LOT OF DIFFICULT BARGAINING, BUT FEEL THAT THIS WOULD BE WELL WORTH FACING ONCE THE KEY BREAK-THROUGH HAD BEEN ACHIEVED IN THE SHAPE OF A SETTLEMENT IN PRINCIPLE AND OF RESUMED GROWTH OF I P C ACTIVITY IN 'MORE NORMAL' CONDITIONS. FURTHER LUMP-SUM PAYMENTS WOULD BE MADE ON THE BASIS OF SATISFACTORY PROGRESS IN THE DETAILED NEGOTIATION.

4. IN THE COURSE OF THE PRELIMINARY SOUNDINGS OF KEY MEN IT IS APPARENTLY NOT (REPEAT NOT) INTENDED THAT THE SHAPE OF A POSSIBLE OVERALL SETTLEMENT SHOULD BE MOOTED BY THE I P C SIDE IN ANY DETAIL. IF THE RESULT OF THE SOUNDINGS IS BROADLY FAVOURABLE, THE INTENTION IS TO STRIKE WHILST THE IRON IS HOT BY SENDING OUT A SMALL TEAM (PROBABLY SUTCLIFF AND MACDONALD AGAIN) WITH A VIEW TO RAPID NEGOTIATION OF HEADS OF AGREEMENT. ON PRESENT FORM THE TEAM WOULD ARRIVE IN EARLY DECEMBER. IF THE RESULT OF THE SOUNDINGS IS UNFAVOURABLE, THE TEAM WOULD STILL COME OUT, BUT WITH THE MORE LIMITED AIM OF SEEKING PIECEMEAL AGREEMENT(S) LINKED TO SMALLER LUMP-SUM PAYMENTS(S). THERE ARE A NUMBER OF QUITE IMPORTANT ISSUES WHICH THE I P C COULD SEEK TO CLEAR UP IN THIS WAY. THEY LARGELY COVER QUESTIONS OF OPERATING BOUNDARIES. CASES IN POINT ARE A NUMBER OF PROMISING STRUCTURES IN THE NORTH AND A KNOWN EXTENSION OF THE AIN ZALAH FIELD, ALL AT PRESENT IN THE TERRITORY WHICH THE IRAQIS PURPORT TO HAVE TAKEN OVER UNDER THEIR EXPROPRIATORY LEGISLATION. AIN ZALAH COULD BE A USEFUL TEST CASE SINCE IT PROVIDES SOMETHING OF A PARALLEL TO NORTH RUMAILA WITHOUT THE SYMBOLIC OVERTONES OF THE LATTER.

5. AS SET OUT, THE ABOVE COULD MISLEADINGLY SUGGEST THAT A PLAN OF CAMPAIGN HAS BEEN WORKED OUT IN EVERY DETAIL. IN FACT THERE ARE A NUMBER OF CONTINGENCIES WHICH CANNOT BE ADEQUATELY PROVIDED FOR IN ADVANCE, BUT IT IS HOPED THAT THE PERSONS ENGAGED IN THE SOUNDING OPERATIONS AND THE EVENTUAL NEGOTIATIONS WILL BE ALLOWED REASONABLE DISCRETION. THE WHOLE PROCESS WILL OBVIOUSLY CALL FOR DELICATE HANDLING AND DIFFICULT DECISIONS, BUT THE GENERAL LINE DEMONSTRATES A SERIOUSNESS AND FLEXIBILITY OF APPROACH BY I P C WHICH PROMISES WELL IF THE IRAQI SIDE SHOWS REAL SIGNS OF WILLINGNESS AND ABILITY TO SETTLE MATTERS ACROSS THE BOARD. EVEN ASSUMING SUCH AN IRAQI

/ATTITUDE



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FCO TELEGRAM NO.439 TO BAGHDAD

-3-

ATTITUDE, THE QUESTION OF THE DURABILITY OF A SETTLEMENT REMAINS, BUT THE I P C'S IDEAS HAVE A DEGREE OF INSURANCE BUILT INTO THEM THROUGH THE PROPOSED STAGGERING OF PAYMENTS 'BY RESULTS'.

6. ON THE GENERAL ISSUES OF THE NEGOTIABILITY AND DURABILITY OF AN OVERALL SETTLEMENT DANNER OF C F P HAS IN THE FOLLOWING PRIVATE COMMENTS THROWN LIGHT ON SOME OF THE THINKING BEHIND THE I P C APPROACH:-

(I) THE PRESENT IRAQI REGIME IS A GANG OF FASCIST-TYPE THUGS WHO SEEM DETERMINED TO DEFEND THEIR ACQUIRED POSITIONS BY SUPPRESSING ANY OPPOSITION WITH UTTER RUTHLESSNESS. CONSEQUENTLY, HOWEVER MORALLY DISTASTEFUL DEALING WITH THEM MIGHT BE, THEY MAY BE JUST THE SORT OF PEOPLE TO SHOW THE WILL AND CAPACITY TO REACH AN OVERALL SETTLEMENT AND TO IMPOSE IT POLITICALLY.

(II) AS REGARDS THE DURABILITY OF THE REGIME AND THE STABILITY OF ANY SETTLEMENT, ANYONE KNOWING IRAQ WOULD BE STUPID TO BE SANGUINE, BUT IF THE I P C CAN REACH THE STAGE OF RESUMING SOMETHING LIKE 'BUSINESS AS USUAL', THERE MIGHT BE SOME HOPE THAT A SUCCESSOR REGIME WOULD NOT WISH TO UPSET THINGS COMPLETELY ONCE AGAIN AND THEREBY TO SAP THE FINANCIAL BASE FOR ITS OWN VIABILITY.

7. THE ABOVE INFORMATION IS NOT NECESSARILY COMPLETE. IT HAS BEEN OBTAINED, INDEED ALMOST EXTRACTED, ON THE BASIS OF CLOSE PERSONAL CONFIDENCE. THE I P C ARE UNDERSTANDABLY ANXIOUS THAT THERE SHOULD BE NO LEAK OF ANY KIND. YOU AND OTHER RECIPIENTS ARE THEREFORE ASKED TO TREAT ALL THE ABOVE AS STRICTLY FOR YOUR OWN INFORMATION ONLY. IF, AS IS LIKELY, HANN SHOULD TAKE YOU INTO HIS CONFIDENCE, YOU SHOULD NOT REVEAL OUR DETAILED KNOWLEDGE AND SHOULD CONFINE YOURSELF TO SAYING THAT YOU HAD HEARD FROM US ONLY IN VERY GENERAL TERMS TO THE EFFECT THAT SOME FURTHER SOUNDINGS OF THE GROUND WAS TO BE CARRIED OUT PRIOR TO AN EARLY VISIT BY A NEGOTIATING TEAM.

STEWART

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Addressed to \_\_\_\_\_ BAGHDAD

telegram No. 439, (date) 21 November

And to \_\_\_\_\_

repeated for information

Draft/Telegram to:—

BAGHDAD

No. 439

(Date) 21/11

And to:—

Saving to: ~~BEIRUT~~ ~~THE HAGUE~~ PARIS TEHRAN WASHINGTON

My telegram No. 430 [19 November]: Iraq Oil.

Following their informal consultations over the last few weeks the Iraq Petroleum Company Groups have now reached a consensus on the line to be taken with the Iraqi régime.

2. The broad aim is an overall settlement. But first of all soundings are to be made by the IPC's Baghdad representatives of the attitudes of key people in the Party/Government complex. Some names that have been mentioned by IPC sources are Sheikhly (Foreign Minister), Saddam Takriti (Regional Secretary-General of the Party), Ammash (Minister of the Interior) as well as General Hardan Takriti himself, who some members of IPC consider to be of lower standing than the other three. (This is, of course, a different matter from any assessment which might be made of Hardan Takriti's standing in the country

/generally.

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1750/2/12



generally.) The aim of these soundings will be to determine whether the present effective rulers of Iraq are seriously prepared to reach an overall settlement in stages. The first stage would be as rapid a negotiation as possible of a list of principles or Heads of Agreement, 'ratification' of which by the Iraq Government would be matched by the IPC with an immediate downpayment of, say, £25 million. (This would leave <sup>perhaps</sup> £40 to 50 million for the IPC still to play with.)

The IPC's idea is to approach such a settlement

3. The next stage would be a ~~quick~~ start to practical implementation of the Heads of Agreement (e.g. resumed exploration and oilfield development) concurrent with negotiation of detailed texts elaborating the Heads of Agreement. The IPC recognise that this latter process would almost certainly lead to a lot of difficult bargaining, ~~and bickering~~, but feel that this would be well worth facing once the key breakthrough had been achieved in the shape of a settlement in principle and of resumed growth of IPC activity in 'more normal' conditions. Further lump-sum payments would be made on the basis of satisfactory progress in the detailed negotiation.

4. In the course of the preliminary soundings of key men it is apparently not (repeat not) intended that the shape of a possible overall settlement should be mooted by the IPC side in any detail. If the result of the soundings is <sup>broadly</sup> favourable, the intention is to strike whilst the iron is hot by sending out a small team (probably Sutcliffe and MacDonald again) with a view to rapid negotiation of Heads of Agreement. On present form the team would arrive in early December.

/If



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If the result of the soundings is unfavourable, the team would still come out, but with the more limited aim of seeking piecemeal agreement(s) linked to smaller lump-sum payment(s). There are a number of quite important issues which the IPC could seek to clear up in this way. They largely cover questions of operating boundaries, ~~affected by the Iraqis' expropriatory legislation.~~

Cases in point are a number of promising structures in the North and a known extension of the Ain Zalah field, all at present in the territory which the Iraqis purport to have taken over under ~~that~~ legislation. Ain Zalah could be a ~~particular~~ *their expropriatory* useful test case since it provides something of a parallel to North Rumaila without the symbolic overtones of the latter.

~~5. The preliminary soundings may not produce a sufficiently clearcut result one way or the other, in which case the visiting team may have to make further soundings before entering into negotiation proper.~~

6. As set out, the above could misleadingly suggest that a plan of campaign has been worked out in every detail. In fact there are a number of contingencies which cannot be adequately provided for in advance, but it is hoped that the persons ~~to be~~ engaged in the sounding operations and the eventual negotiations will be allowed reasonable discretion. The whole process will obviously call for delicate handling and difficult decisions, ~~at various stages,~~ but the general line demonstrates a seriousness and

/flexibility

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flexibility of approach by IPC which promises well if the Iraqi side shows real signs of willingness and ability to settle matters across the board. Even assuming such an Iraqi attitude, the question of the durability of a settlement remains, but the IPC's ideas have a degree of insurance built into them through the proposed staggering of payments 'by results'.

6. On the general issues of the negotiability and durability of an overall settlement Danner of CFP has ~~commented privately on the following lines:-~~

(i) The present Iraqi regime ~~consists of~~ <sup>is</sup> a gang of fascist-type thugs who seem determined to defend their acquired positions by suppressing any opposition with utter ruthlessness. ~~and, therefore,~~ <sup>Consequently,</sup> however morally distasteful dealing with them might be, they may be just the sort of people to show the will and capacity to reach an <sup>overall</sup> settlement ~~of this intractable dispute~~ and to impose it politically.

(ii) <sup>AS</sup> regards the durability of the régime and, ~~with it,~~ the stability of any settlement, anyone knowing Iraq would be stupid to be ~~over~~sanguine, but if the IPC can reach the stage of resuming something like 'business as usual', there might be some hope that a successor régime would not wish to upset things completely once again and thereby to sap the financial base for its own viability.

7. The above information is not necessarily complete. It has been obtained, indeed almost extracted, on the basis of close personal confidence. The

in the following private comments throw light on some of the thinking behind the IPC approach:-

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/IPC

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IPC <sup>are</sup> ~~is~~ understandably anxious that there should be no leak of any kind. You and other recipients are therefore asked to treat all the above as strictly for your own information only. If, as is likely, Hahn should take you into his confidence, you should not reveal our detailed knowledge and should confine yourself to saying that you had heard from us only in very general terms to the effect that some further sounding of the ground was to be carried out prior to an ~~early~~ <sup>early</sup> visit by a negotiating team.

W

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(31)

PRIORITY BAGHDAD

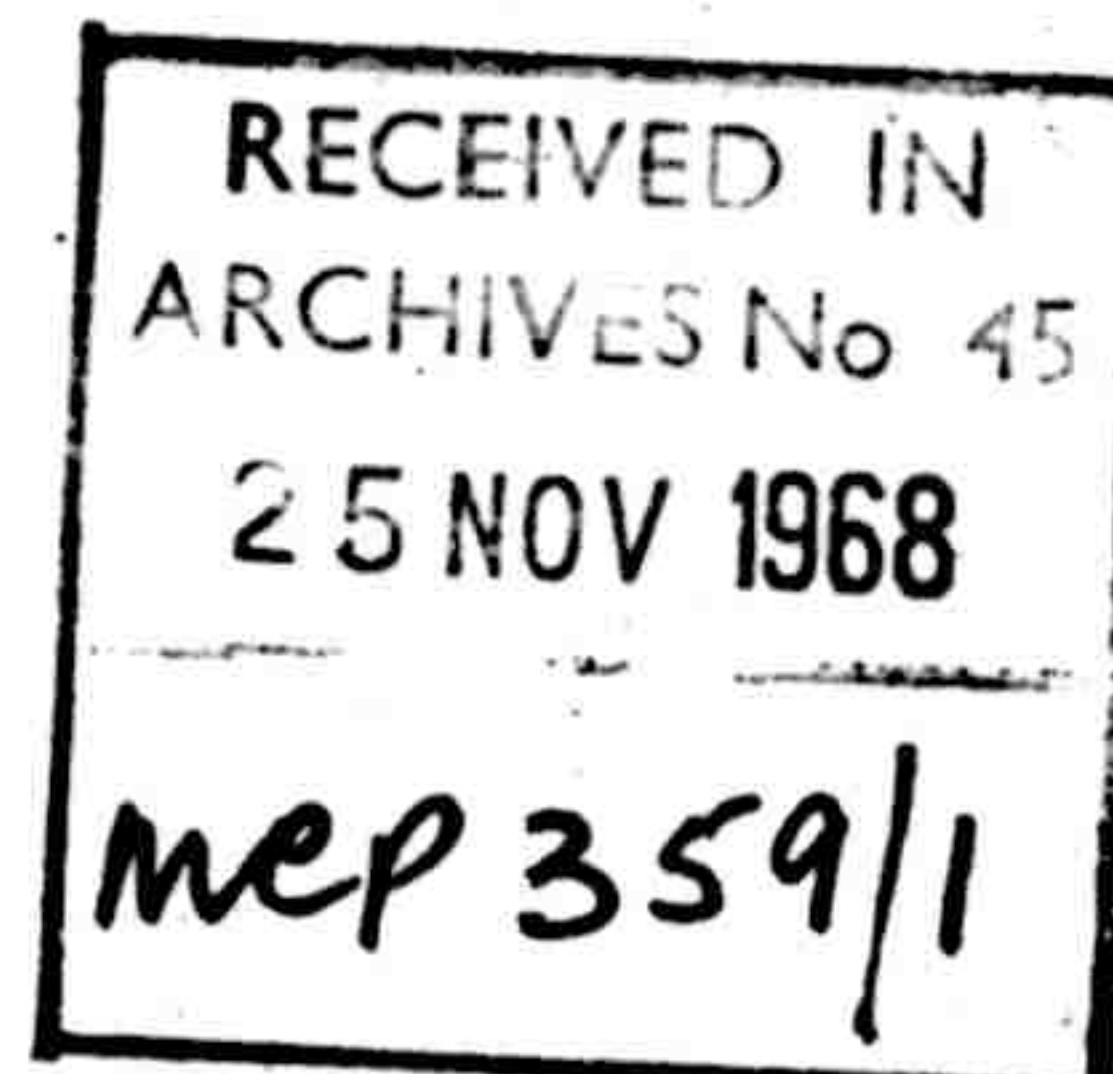
TO COMMONWEALTH OFFICE

TOP SECRET

TELEGRAM NUMBER 446

23 NOVEMBER 1968

MC



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ADDRESSED TO F C O TELEGRAM NO. 446 OF 23 NOVEMBER, REPEATED FOR  
INFORMATION TO WASHINGTON, AND SAVING TO BEIRUT,  
THE HAGUE, PARIS, AND TEHRAN.

IRAQ OIL

ROAD TOLD ME THAT HE WAS SUMMONED ON 21 NOVEMBER  
BY THE UNDER SECRETARY IN THE MINISTRY OF OIL AND  
ASKED WHETHER THE COMPANY WOULD CONSIDER POSTPONING  
THE DATE ON WHICH THE REMAINING £8 MILLION FROM  
THE £14 MILLION LOAN MADE IN 1967 IS DUE.  
ROAD NOTED THE REQUEST BUT HE TOLD ME THAT THE  
COMPANY HAD ALREADY BEEN CONSIDERING THE POSSIBILITY  
OF DOING THIS UNILATERALLY AS AN ACT OF GOODWILL  
TO IMPROVE THE ATMOSPHERE.

[REPEATED TO ALL ADDRESSEES]

MR. EVANS

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ROUTINE BAGHDAD

TO FOREIGN AND COMMONWEALTH OFFICE

TELEGRAM NUMBER 449

25 NOVEMBER 1968

MC

RECEIVED IN ARCHIVES No 45 26 NOV 1968 mcl 359/1
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ADDRESSED TO FCO TELEGRAM NO 449 OF 25 NOVEMBER  
REPEATED FOR INFORMATION SAVING TO PARIS TEHRAN AND  
WASHINGTON.

YOUR TELEGRAM NO 439 : IRAQI OIL.

30

HAHN RETURNED ON 22 NOVEMBER AND HE AND ROAD CALLED  
ON ME THE NEXT DAY.

2. HE CONFIRMED THAT HE WAS UNDER INSTRUCTIONS  
TO TAKE SOUNDINGS BUT SAID THAT IMPORTANT THING WAS  
THAT NEGOTIATIONS SHOULD BE STARTED AS SOON AS POSSIBLE.  
THERE WAS A CHANCE NOW OF DOING BUSINESS WITH MODERATES BUT  
IF OPPORTUNITY WAS LOST EXTREMISTS WOULD TAKE OVER. FAI  
LURE TO COME TO TERMS WITH SYRIANS WHICH HAD RESULTED  
IN CLOSING OF PIPELINE HAD STRENGTHENED ZA, AYEN AND  
HAD KEPT HIM IN POWER FOR NEARLY TWO YEARS.

3. ROAD COMMENTED ON WHAT HE CALLED THE VERY CONSIDER  
ABLE CHANGE OF ATTITUDE ON PART OF SHARE  
HOLDERS DURING PAST FEW MONTHS. THEY HAD COME TO REAL  
ISE THAT IRAQ MIGHT IN FUTURE SET TONE IN MID  
DLE EAST AND THAT IF THINGS WENT WRONG HERE, OTHER OIL PROD-  
UCING COUNTRIES IN AREA MIGHT FOLLOW SUIT AND RESORT TO  
EXTREME MEASURES.

/4. IRAQI

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-2-

4. IRAQI MINISTER OF FOREIGN AFFAIRS ON WHOM MY COMMERCIAL COUNSELLOR AND I CALLED ON 23 NOVEMBER, GAVE IMPRESSION THAT HE WAS GENUINELY ANXIOUS TO SEE A SETTLEMENT, WHICH HE SAID COULD ONLY BE OF BENEFIT TO COMPANY. HE MENTIONED ROYAL[SIC] EXPENSING BUT NOTHING NEW OR SPECIFIC EMERGED. I TOLD HANN, WHO SAID THAT HE WOULD KEEP ME INFORMED OF HIS OWN SOUNDINGS.

ECC PASS SAVING TO PARIS TEHRAN AND WASHINGTON.

MR. EVANS

[REPEATED AS REQUESTED]

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Reference.....

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~~Mr Leasby~~ Thank you.

W  
27/11

You asked for information on Sadoun

Hamadeh, the new president of INOC.

2. Mr. Makinson has given me the following:

Mr Hamadeh took a degree at Wisconsin State University in 1957. He has since been a journalist (on Gounkouriga) and a specialist in agrarian reform - the two jobs separated by a spell in prison in Qasim's time.

He is a "theoretical Ba'athist" - an ideologue rather than a public figure, but this did not prevent his being in the thick of at least one assassination plot against Qasim (unsuccessful on that occasion).

Verdict.

Hamadeh's appointment almost certainly unhelpful.

28/11

John Weir  
26/11

1. Mr Lflingworth } may care  
Mr Waller } to see.  
28/11

2. Extra Iraq oil hls. Confidential

P.A.

A.D. 28/11



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RECEIVED IN ARCHIVES No. 45
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PRIORITY BAGHDAD  
TELEGRAM NUMBER 452

TO FOREIGN AND COMMONWEALTH OFFICE  
26 NOVEMBER 1968

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ADDRESSED TO FCO TELNO 452 OF 26 NOVEMBER REPEATED FOR INFORMATION  
SAVING TO WASHINGTON PARIS THE HAGUE BEIRUT AND TEHRAN.  
MY TELEGRAM NO 449 IRAQI OIL. ~~-----~~ (32)

*Handwritten: I was received by the Iraqi President yesterday morning. My original purpose in asking to see him had been to discuss the case of an arrested British subject - please see my telegram no 450. I took the opportunity of introducing my commercial counsellor and also reviewing in a general way the state of Anglo/Iraqi relations, guiding him out as I had previously done the Minister of Foreign Affairs - please see para 4 of my tel no 449.*

(32) I WAS RECEIVED BY THE IRAQI PRESIDENT YESTERDAY MORNING.  
MY ORIGINAL PURPOSE IN ASKING TO SEE HIM HAD BEEN TO DISCUSS  
THE CASE OF AN ARRESTED BRITISH SUBJECT - PLEASE SEE MY TELEGRAM  
NO 450. I TOOK THE OPPORTUNITY OF INTRODUCING MY COMMERCIAL  
COUNSELLOR AND ALSO REVIEWING IN A GENERAL WAY THE STATE OF  
ANGLO/IRAQI RELATIONS, GUIDING HIM OUT AS I HAD PREVIOUSLY  
DONE THE MINISTER OF FOREIGN AFFAIRS - PLEASE SEE PARA 4  
OF MY TEL NO 449.

2. PRESIDENT BAKR SAID HE WAS PESSIMISTIC AND SPOKE OF THE  
COMPANY IN A SCATHING MANNER. THE PROSPECT OF THE FORTH-  
COMING VISIT OF SHAREHOLDER'S REPRESENTATIVES RAISED NO  
SPARK IN HIM. HE SAID THE COMPANY HAD NEVER LEARNED FROM  
HISTORY AND THEIR ATTITUDE DROVE PEOPLE TO TAKE MEASURES WHICH  
WERE NOT IN THE GENERAL INTEREST? THEY HAD NOT, IT SEEMED,  
PROFITED BY THE LESSONS OF LAJS (SIC) NOS 80 AND 97. THEY HAD  
FAILED TO RECOGNISE IRAQ'S RIGHTS AND WERE DEPRIVING HER OF  
ROYALTY EXPENSING PAYMENTS WHICH WERE BEING PAID TO OTHER  
COUNTRIES, GENERALLY BEHAVING LIKE QUOTE THE LORD OF HEAVEN  
AND EARTH UNQUOTE. IRAQ WOULD NOT TOLERATE ANY BARGAINING  
IN THE MATTER OF THESE PAYMENTS, WHICH WERE HER DUE.

3. IF THE COMPANY HAD OFFERED A FEW YEARS AGO TO HELP THE  
IRAQI NATIONAL OIL COMPANY TO PRODUCE AND SELL ITS OIL THEY  
WOULD HAVE RECEIVED THE THANKS OF THE IRAQI PEOPLE. IF THE  
/COMPANY

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*The gist of this tel. was passed  
to the IPC (Mr Dalley) by Mr  
Fearley. Mr Dalley was told the  
information could be passed on to  
shareholding companies on a confidential  
basis if he wished.*

*P.A. The 28/11*



- 2 -

COMPANY CAME NOW WITH THE GREETING QUOTE PEACE BE UNTO YOU UNQUOTE, THE REPLY OF THE IRAQI PEOPLE WOULD BE QUOTE GO IN PEACE UNQUOTE. AT ONE POINT HE SAID, HALF SERIOUSLY, THAT THE REASON THE IRAQI GOVERNMENT WERE CONCENTRATING ON AGRICULTURE IN THE FUTURE WAS THAT OIL HAD FAILED THEM. THEY WOULD, IF NECESSARY, WORK WITH THEIR BARE HANDS.

4. WHEN I MENTIONED THAT I UNDERSTOOD THAT THE COMPANY'S CHIEF REPRESENTATIVE IN BAGHDAD, HAHN, HAD ASKED TO SEE HIM, ADDING THAT I HOPED HE WOULD BE ABLE TO FIT THIS IN (HAHN HAD ASKED ME TO DO THIS), THE PRESIDENT WAS UNRESPONSIVE.

I DO NOT EXCLUDE THE POSSIBILITY THAT HE WILL RECEIVE HAHN. NEVERTHELESS, HE LEFT MY COMMERCIAL COUNSELLOR AND MYSELF WITH AN UNEASY FEELING THAT SOME DECISION DETRIMENTAL TO THE COMPANY MIGHT ALREADY HAVE BEEN TAKEN, AT LEAST ON A CONTINGENCY BASIS.

5. THE ONLY MODERATELY BRIGHT POINTS IN THE INTERVIEW WERE THAT THE PRESIDENT DID SAY THAT THE IRAQIS DID NOT WANT TROUBLE AND HE SUGGESTED THAT THE COMPANY MIGHT SETTLE ISSUES ONE BY ONE INSTEAD OF INSISTING, AS THEY HAD DONE IN THE PAST, ON A PACKAGE SETTLEMENT.

6. I CONFINED MYSELF TO TRYING TO DISPEL SOME OF THE GLOOM. ALTHOUGH THE INTERVIEW ENDED ON QUITE A CHEERFUL NOTE, THERE WAS NO JOY WHEN THE PRESIDENT WAS TALKING ABOUT OIL.

7. PRESIDENT BAKR GAVE US THE IMPRESSION OF BEING EXTREMELY TIRED. THIS MAY TO SOME EXTENT BE ATTRIBUTABLE TO THE EARLY DAYS OF THE RAMADAHN FAST. BUT I FEAR THERE WAS GENERAL DISAPPOINTMENT IN HIM AT HIS GOVERNMENT'S LACK OF PROGRESS, TO SAY THE LEAST, DURING THE PAST TWO MONTHS.

FCO PASS SVG TO WASHINGTON, PARIS, THE HAGUE, BEIRUT AND TEHRAN

MR EVANS.

/ REPEATED AS REQUESTED /

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RES. D.  
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WITH

35

Version of Baghdad to Fco

no. 461 of 27 Nov. as

Message dated 27 November passed in confidence to Mr. Dalley IPC.

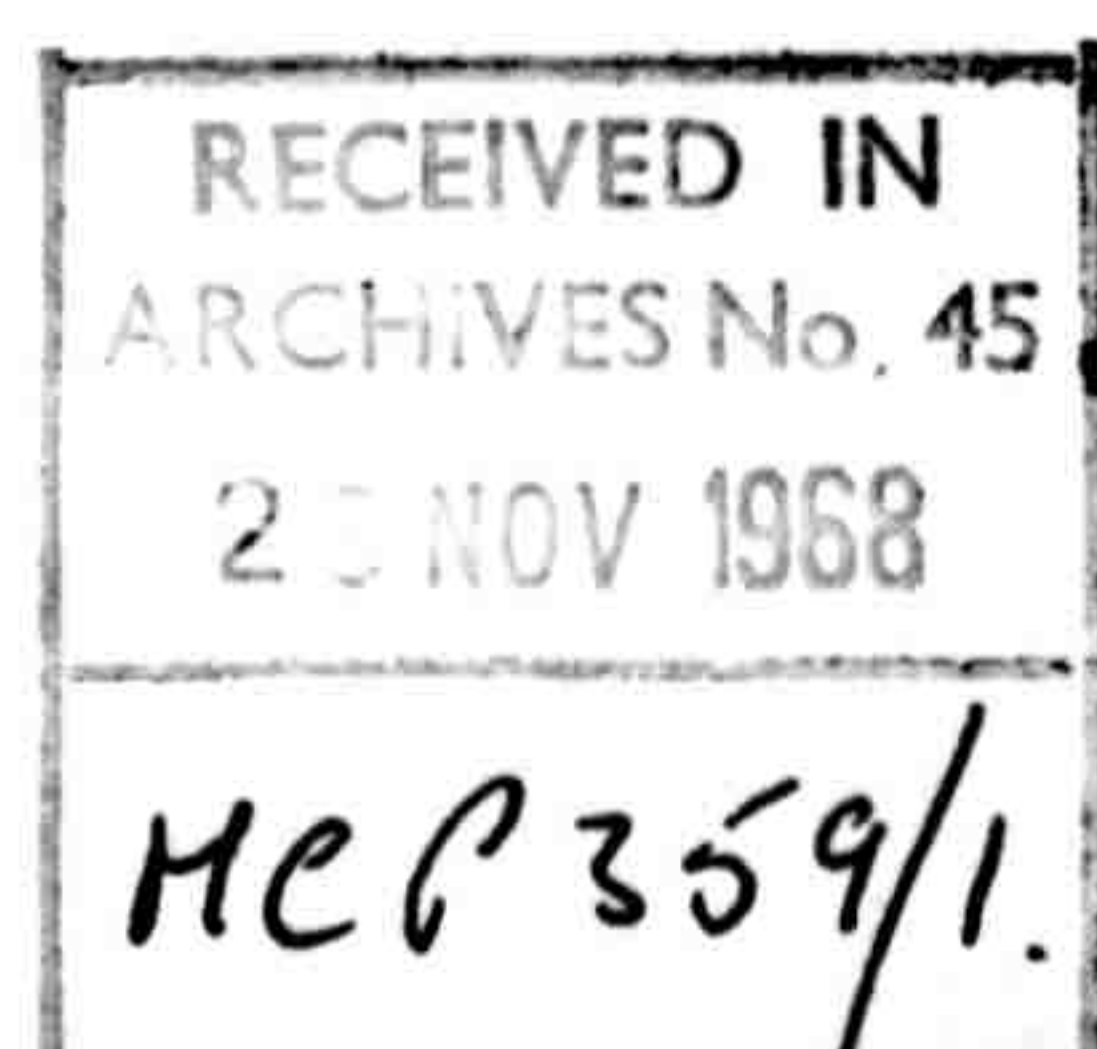
We passed gist of my previous message to Road, who plus and thought Bakr's gloom might be attributable to his having lost ground in struggle between moderates and extremists within party. Any decision that might have been taken might relate to internal politics of party rather than directly to IPC's interests. Road thought that Takriti's approaches, for example, the one when Butcliffe and MacDonald were last here, might have been a call for a lifeline which had only been made available in time. pla W 28/11

Weakening of Takriti's position was possibly reflected in his remark quote too late unquote when I introduced my newly arrived Defence Attache at a reception on 23 November. He only spoke briefly and it was not at time clear that his remark should be taken literally. As you are, however, no doubt aware from monitoring services, in immediately preceding days Takriti was attacked in Syrian press for his part in events that led to overthrow of Baath in 1963. This campaign mounted perhaps by party rather than government may well be an indication of a belief there that Takriti has lost out or, alternatively, was intended to embarrass him further. The comparative optimism shown by Minister of Foreign Affairs, who when I saw him a few days ago gave the impression of being genuinely anxious to see a settlement of IPC dispute, is in marked contrast with President Bakr's gloom and may confirm change in relative positions of competing factions.

If Bakr and Takriti have in fact lost ground to party boys, it must put quote paid unquote to Hahn's hope expressed recently that there was a chance of doing business with the moderates. This does not necessarily mean, of course, that company should not press on. They would in that event not have to contend with disadvantage inherent in any negotiation with moderates, unless they were completely in control, that they would be looking over their shoulders to more extreme elements.

Hahn and Road yesterday saw recently appointed Under-Secretary at Ministry of Foreign Affairs (a Baathist who was until recently in charge of Iraqi interests in Bonn, is a moderate man and was once employed for a short time by IPC). Interview, which was friendly, ended with an appeal made as Hahn and Road were leaving quote go easy with them unquote. Remark is Delphic in extreme and all that can be said for the moment is that there is no doubt that it was well meant. Hahn is seeing Minister of Foreign Affairs himself tomorrow.

Situation is, I fear, confusing and we are at present left guessing. I hope to see Takriti myself shortly to introduce formally my Defence Attache. In light of what he and also General Ammash, whom I have also asked to see, will have to say, I hope to be able to comment more adequately on stability and negotiability of regime.



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(35)

(32)

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PRIORITY BAGHDAD

TELEGRAM NUMBER 461

TO FOREIGN AND COMMONWEALTH OFFICE

28 NOVEMBER 1968.

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ADDRESSED TO FCO TELEGRAM NO 461 OF 27 NOVEMBER  
REPEATED FOR INFORMATION SAVING TO WASHINGTON PARIS BEIRUT  
TEHRAN AND THE HAGUE.

MY TELEGRAM 452: IRAQI OIL.

(34)

(15) WE PASSED GIST TO ROAD, WHO THOUGHT BAKR'S GLOOM  
MIGHT BE ATTRIBUTABLE TO HIS HAVING LOST GROUND IN STRUGGLE  
BETWEEN MODERATES AND EXTREMISTS WITHIN PARTY. ANY DECISION THAT  
MIGHT HAVE BEEN TAKEN MIGHT RELATE TO INTERNAL POLITICS OF PARTY  
RATHER THAN DIRECTLY TO IPC'S INTERESTS. ROAD THOUGHT THAT  
TAKRITI'S APPROACHES, FOR EXAMPLE THAT REPORTED IN MY TELEGRAM  
NO 342, MIGHT HAVE BEEN A CALL FOR A LIFELINE WHICH HAD ONLY  
BEEN MADE AVAILABLE IN TIME.

2. WEAKENING OF TAKRITI'S POSITION WAS POSSIBLY REFLECTED IN  
HIS REMARK QUOTE TOO LATE UNQUOTE WHEN I INTRODUCED MY NEWLY  
ARRIVED DA AT A RECEPTION ON 23 NOVEMBER. HE ONLY SPOKE BRIEFLY  
AND IT WAS NOT AT THE TIME CLEAR THAT HIS REMARK SHOULD BE TAKEN  
LITERALLY. AS YOU ARE, HOWEVER, NO DOUBT AWARE FROM MONITORING  
SERVICES, IN IMMEDIATELY PRECEDING DAYS TAKRITI WAS ATTACKED IN  
SYRIAN PRESS FOR HIS PART IN EVENTS THAT LED TO OVERTHROW OF  
BAATH IN 1963. THIS CAMPAIGN MOUNTED PERHAPS BY PARTY RATHER THAN  
GOVERNMENT MAY WELL BE AN INDICATION OF A BELIEF THERE THAT  
TAKRITI HAS LOST OUT OR, ALTERNATIVELY, WAS INTENDED TO EMBARRASS  
HIM FURTHER.

3. THE COMPARATIVE OPTIMISM SHOWN BY MINISTER OF FOREIGN  
AFFAIRS AND REPORTED IN PARA 4 OF MY TELEGRAM NO 449 IS IN MARKED  
CONTRAST WITH PRESIDENT BAKR'S GLOOM AND MAY CONFIRM CHANGE IN  
RELATIVE POSITIONS OF COMPETING FACTIONS.

(32)

/4.

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4. IF BAKR AND TAKRITI HAVE IN FACT LOST GROUND TO PARTY BOY, IT MUST PUT QUOTE PAID UNQUOTE TO HAHN'S THEORY THAT IN ANY NEGOTIATIONS COMPANY WOULD BE DEALING WITH MODERATES SEE MY TELEGRAM NO 449. THIS DOES NOT NECESSARILY MEAN, OF COURSE, THAT THEY SHOULD NOT PRESS ON. THEY WOULD IN THAT EVENT NOT HAVE TO CONTEND WITH DISADVANTAGE INHERENT IN ANY NEGOTIATION WITH MODERATES UNLESS THEY WERE COMPLETELY IN CONTROL, (GP OMITTED) THAT THEY WOULD BE LOOKING OVER THEIR SHOULDERS TO MORE EXTREME ELEMENTS.

5. HAHN AND ROAD YESTERDAY SAW RECENTLY APPOINTED UNDER SECRETARY AT MINISTRY OF FOREIGN AFFAIRS ( A BAATHIST WHO WAS UNTIL RECENTLY IN CHARGE OF IRAQI INTERESTS IN BONN, IS A MODERATE MAN AND WAS ONCE EMPLOYED FOR A SHORT TIME BY IPC). INTERVIEW, WHICH WAS FRIENDLY, ENDED WITH AN APPEAL MADE AS HAHN AND ROAD WERE LEAVING QUOTE GO EASY WITH THEM UNQUOTE. REMARK IS DELPHIC IN EXTREME AND ALL THAT CAN BE SAID FOR MOMENT IS THAT THERE IS NO DOUBT THAT IT WAS WELL MEANT. HAHN IS SEEING MINISTER OF FOREIGN AFFAIRS HIMSELF TOMORROW.

6. SITUATION IS, I FEAR, CONFUSING AND WE ARE AT PRESENT LEFT GUESSING. I HOPE TO SEE TAKRITI MYSELF SHORTLY TO INTRODUCE FORMALLY MY DA. IN LIGHT OF WHAT HE AND ALSO GENERAL AMMASH, WHOM I HAVE ALSO ASKED TO SEE, WILL HAVE TO SAY, I HOPE TO BE ABLE TO COMMENT MORE ADEQUATELY ON STABILITY AND NEGOTIABILITY OF REGIME.

FCO PASS SAVING TO WASHINGTON PARIS BEIRUT TEHRAN AND THE HAGUE

MR EVANS.

[REPEATED AS REQUESTED]

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I.R.D.  
CONSULAR DEPT.



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36

CYPHER/CAT A

PRIORITY BAGHDAD

TO FOREIGN AND COMMONWEALTH OFFICE

TELEGRAM NUMBER 468

29 NOVEMBER 1968

CONFIDENTIAL

ADDRESSED TO FCO TELNO. 468 OF 29 NOVEMBER REPEATED FOR  
INFORMATION SAVING TO WASHINGTON, PARIS, TEHRAN,  
BEIRUT AND THE HAGUE

MC

RECEIVED
ARCHIVES
-2 DEC 1968
MCP 359/1

35 MY TELNO. 461 : IRAQI OIL.

THE GENERAL PICTURE HERE REMAINS CONFUSING AND MANY  
IRAQIS ANTICIPATE SOME CONFRONTATION BETWEEN THE BA'ATH  
PARTY AND THE ARMY WITHIN THE NEXT FEW DAYS. THE REASONING  
BEHIND THIS IS THAT IF TIKRITI ALLOWS EXTREME BA'ATHI  
ELEMENTS TO OBTAIN TOO STRONG A POSITION, HIS OWN STANDING  
AND HOLD OVER THE ARMED FORCES MAY BE ERODED.

2. I HAVE NOT YET BEEN ABLE TO SEE TIKRITI- PERHAPS  
BECAUSE HE DOES NOT WISH ME TO VISIT HIM IF THERE IS  
REALLY SOMETHING IN THE WIND. BUT FOR WHAT IT IS WORTH,  
HE GAVE HARDING OF MARCONI, WHO SAW HIM ON 26 AND  
27 NOVEMBER IN CONNEXION WITH A CONTRACT, THE  
IMPRESSION OF BEING PERFECTLY CONFIDENT AND READY TO  
DO BUSINESS ON A LARGE SCALE WITH BRITISH FIRMS. HE SAID  
THAT THE CONTRACT FOR THE SUPPLY OF MIRAGE AIRCRAFT  
WAS DEFINITELY OFF

FCO PLEASE PASS SAVING TO WASHINGTON, PARIS, TEHRAN  
BEIRUT AND THE HAGUE

MR. EVANS

[REPEATED AS REQUESTED]

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CONSULAR DEPT.  
DEF POL DEPT.  
D.T.S.D.

CONFIDENTIAL

Just given to V.P.C.  
and B.P. (Stalliff)

PCD

4/12



MC

CYPHER/CAT A  
PRIORITY BAGHDAD  
TELEGRAM NUMBER 474

RECEIVED IN ARCHIVES No 45 -2 DEC 1968 MCP359/1
--

TO FOREIGN AND COMMONWEALTH OFFICE

30 NOVEMBER 1968

(37)

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ADDRESSED TO FCO TELEGRAM NO 474 OF 30 NOVEMBER REPEATED FOR INFORMATION SAVING TO WASHINGTON PARIS TEHRAN BEIRUT AND THE HAGUE.

(36) MY TELEGRAM NO 468: IRAQI OIL.

HAHN AND ROAD SAW IRAQI MINISTER OF FOREIGN AFFAIRS ON 28 NOVEMBER. SHEIKHLY WAS RELAXED AND FRIENDLY. FOLLOWING POINTS EMERGED.

(I) SHEIKHLY SAID THAT HE WAS PERSONALLY STUDYING THE PAPERS IN CASE OF BANNISTER (CHIEF ENGINEER WHO WAS ORDERED TO LEAVE COUNTRY APPARENTLY ON SECURITY GROUNDS) AND SAID THAT HE WOULD LET THEM HAVE A DECISION WITHOUT DELAY.

(II) THE EXTENSION OF LOAN REPAYMENT PERIOD REQUESTED BY MINISTRY OF OIL AND REFERRED TO IN MY TELEGRAM NO 446 WOULD HAVE A VERY GOOD EFFECT. (COMPANY HAVE ALREADY AGREED TO EXTENSION AND HAHN HAS BEEN AUTHORISED TO INFORM IRAQI GOVERNMENT WHEN HE CONSIDERS TIME OPPORTUNE. HE HOPES TO SEE TAKRITI FIRST).

(III) SHEIKHLY SAID THAT HE FAVOURED MAXIMUM PERSONAL CONTACTS BETWEEN MEMBERS OF IRAQI GOVERNMENT AND COMPANY OFFICIALS.

(IV) SHEIKHLY SHOWED MUCH INTEREST IN EFFORTS BEING MADE BY IPC ON AN UNATTRIBUTABLE BASIS TO GIVE PUBLICITY TO ARAB CAUSE OVER PALESTINE.

2. HAHN AND ROAD ARE MUCH ENCOURAGED BY SHEIKHLY'S FRIENDLY ATTITUDE.

FCO PASS SAVING WASHINGTON PARIS TEHRAN BEIRUT AND THE HAGUE.

MR EVANS.

/REPEATED AS REQUESTED/

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N. EAST. D.  
RES. D.  
I.R.D.

CONS. D.  
DEF. POL. D.  
DEF. TR. & S.D.

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Copy given to  
I.A.C. and O.P.  
(Sutcliffe)  
M.D.  
4/12



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38

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CYPHER/CAT A

ROUTINE FOREIGN AND COMMONWEALTH OFFICE

TELEGRAM NO 474

TO BAGHDAD

3 DECEMBER 1968 (C.& O.D.)

37

CONFIDENTIAL

YOUR TELEGRAM NO 474 : IRAQI OIL.

WE ARE PUZZLED BY THE REFERENCE TO UNATTRIBUTABLE PUBLICITY IN PARAGRAPH 1(IV) AND SHOULD BE GRATEFUL FOR ANY LIGHT YOU CAN CAST ON THIS, WITHOUT REVEALING OUR INTEREST TO IPC REPRESENTATIVES IN BAGHDAD.

STEWART

FILES:

C.& O.D.

NR. EASTERN DEPT.

INFO. RESEARCH DEPT.

MR. HANCOCK

MR. GALLAGHER

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RECEIVED IN  
ARCHIVES No. 45  
- 5 DEC 1968

MCP 359/1



Registry No.

DEPARTMENT

COMMODITIES & OIL DEPARTMENT

\* Date and time (G.M.T.) telegram should reach addressee(s)

SECURITY CLASSIFICATION

PRIORITY MARKINGS

Top Secret

Secret

Confidential RHE

Restricted

Unclassified

3/12

Flash

Immediate

Priority

Routine

(Date)

Despatched

CYPRER

PRIVACY MARKING

In Confidence

En Clair.

Code

Cypher CAT A

[Security classification  
—if any]

CONFIDENTIAL

[Privacy marking  
—if any]

[Codeword—if any]

Addressed to BAGHDAD

telegram No. (date)

And to

repeated for information to

Saving to

Your telegram no. 474 [of 30 November]: Iraqi Oil.

We are puzzled by the reference to unattributable publicity in paragraph 1(iv) and should be grateful for any light you can cast on this, without revealing our interest to IPC representatives in Baghdad.

Draft Telegram to:—  
BAGHDAD

No. 474

(Date) 3/12

And to:—

Repeat to:—

Saving to:—

Distribution:—

Files

C & O Dist

Near Eastern Dist

IRD

Copies to:—

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RHE 3/12

NOTHING TO BE WRITTEN IN THIS MARGIN

17202  
3/12/68



CYPHER/CAT A

ROUTINE BAGHDAD

TELEGRAM NUMBER 502

TO FOREIGN AND COMMONWEALTH OFFICE

5 DECEMBER 1968

(39)

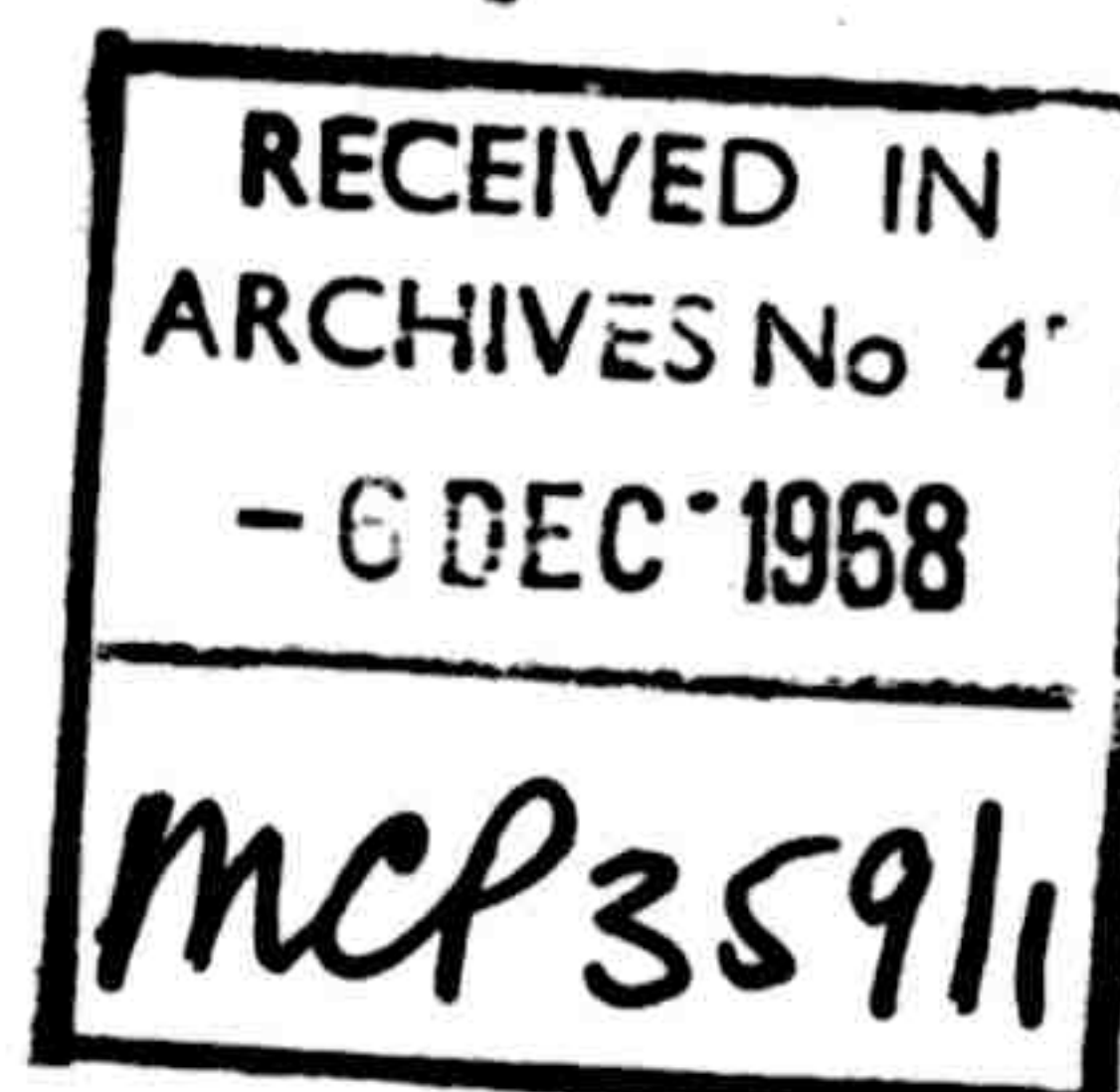
[Duf Fearnley]

TOP COPY  
MC

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(37)

YOUR TELEGRAM NO 474: IRAQI OIL.



HAHN SHOWED THE IRAQI MINISTER OF FOREIGN ~~AF 64 583~~

~~7,42-07?~~

~~REIGN~~ AFFAIRS THE

UNRWA PUBLICATION "TWICE IN A LIFETIME", THE PRODUCTION OF WHICH WAS FINANCED BY THE IPC. IT IS DISTRIBUTED BY THE JORDANIAN AND LEBANESE MINISTRIES OF FOREIGN AFFAIRS AMONG OTHERS. THE IRAQI MINISTER OF FOREIGN AFFAIRS WAS IMPRESSED AND SAID THAT HE WOULD BE GLAD TO RECEIVE COPIES AND TO DISTRIBUTE THEM.

2. I UNDERSTAND THAT THE INITIATIVE WAS HAHN'S (WHEN HE WAS IPC REPRESENTATIVE IN THE LEBANON) AND THAT HE IS ENCOURAGING A SIMILAR EFFORT IN THE SAME FIELD. HE IS ALSO INTERESTED IN THE WORK OF THE PALESTINE INSTITUTE IN BEIRUT WHICH OPERATES ON THE LINES OF CHATHAM HOUSE BUT, OF COURSE, ON A SMALL SCALE.

Files Xerox Top + 33.

Comm & Oil Dept 7

Near East Dept 8

(R) 8

Mr. Archer 1

Mr. Hancock 1

Sir A. Gelling 1

Mr. Gandy 1

1 Mr Bates

1 Mr 129

3 ADR

Top + 1 Mr 1

EVANS

SENT AT 05/1445Z

RECD AT 05/1535Z





CONFIDENTIAL

# MINISTRY OF POWER

PETROLEUM DIVISION

Thames House South, Millbank, LONDON S.W.1

Telephone: 01-222 7000 - Ext. 1081

40

Our reference:

4th December, 1968.

Your reference:

*Enter and re-submit  
to Mr. Ellington*

P.G. Wallis, Esq.,  
Commodities & Oil Dept.,  
Foreign & Commonwealth Office,  
Downing Street, S.W. 1.

*Dear Peter,*

*120  
57/2*



## Value of North Rumaila

I promised John Weait that I'd write to him about the sum of money which it might be worth the IPC to pay for North Rumaila. It would be easiest to present this first in direct money terms and then weigh the imponderables.

### Costs

2. On the costs side, I make the following assumptions :-

*But it surely  
isn't a disguise?*

(a) I.P.C. will make a down-payment (disguised as back taxes) of \$168 m. (see F.C.O. telegram 439 of 21st November to Baghdad) in year 0

(b) Investment costs would be \$5.6 per annual ton (IPC told me on the telephone in May 1967 that they'd be between £2-3 per annual ton. This seems high in comparison with Adelman's estimates of most costs in the Gulf but the need for a pipeline and new port would put costs above the average. So I have taken the lowest point in IPC's range). I assume the incidence of costs will be half in year 1 and half spread evenly over the next five years.

### Returns

3. On the returns side, I make the following assumptions :-

(a) F.O.B. price is \$1.35 a barrel. The latest F.O.B. price for Iranian light to South America pre-crisis, is \$1.40 in spring 1967. The offer included buy-back provisions and the F.O.B. price of Persian Gulf crude is continuing to fall. I suspect that \$1.35 probably overstates the value of Gulf crude in the seventies to the limited arms-length market. It almost certainly overstates the value of crude in inter-affiliate transactions.

(b) Operating Costs will be :-

	<u>£ per ton</u>
Host country take	2.7
Operating Costs	0.3
Headquarter services	0.2

3.2 = \$1.10 cents a barrel

/4. The

Now see 43



4. The other points necessary to make a DCF estimate are -

(a) Timing of payments : I assume that production will build up to 25 m. tons over a period of 5 years starting in Year 2.

(b) Discount rate : quite honestly, I think only a mug would invest in North Rumaila during the present regime of "fascist thugs". But, to put the best face possible on it, I assume a ~~20%~~ discount rate. I have also done the calculations on a 15% discount rate in case the problem arises again in a year or so under a more stable regime.

5. On these assumptions we have the following cash flow.

£ m.

Year	Outflow	Inflow	Net flow to IPC + from IPC -	Discounted at 25%	Discounted at 15%
0	168	-	- 168	- 168	- 168
1	70 <del>82.5</del>	-	<del>82.5</del> - 70	<del>65.95</del> - 55.95	<del>71.75</del> - 70 - 60.13
2	14 <del>16.5</del>	8.75	<del>7.75</del> - 5.25	<del>4.96</del> - 3.36	<del>5.86</del> - 5.25 - 3.97
3	14 <del>16.5</del>	17.50	+ <del>1.00</del> + 3.5	+ <del>0.53</del> + 1.79	+ <del>0.66</del> + 2.5 + 2.30
4	14 <del>16.5</del>	25.75	+ <del>9.25</del> + 11.75	+ <del>3.79</del> + 4.81	+ <del>5.29</del> + 11.75 + 6.72
5	14 <del>16.5</del>	35.00	+ <del>18.5</del> + 21	+ <del>6.06</del> + 6.88	+ <del>9.20</del> + 21 + 10.44
6	14 <del>16.5</del>	43.75	+ <del>27.25</del> + 29.75	+ <del>8.95</del> + 9.61	+ <del>11.78</del> + 12.86
7	-	43.75	+ <del>43.75</del> "	+ 9.17	+ 16.44
8	-	43.75	+ <del>43.75</del> "	+ 7.34	+ 14.30
9	-	43.75	+ <del>43.75</del> "	+ 5.87	+ 12.42
10	-	43.75	+ <del>43.75</del> "	+ 4.70	+ 10.80

11 and beyond: future capital payments incapable of estimation, but will not affect results much.

Sum of FVS of 1st 10 years at 25% = - 192.52 (i.e. it is not worth paying anything for North Rumaila)  
177.14

at 15% = - 164.72 (i.e. it is worth paying 146.67 £3.18 m. for North Rumaila)  
21.33

6. This calculation exaggerates the worth of North Rumaila since the value of a source of production owned by an integrated company is not the profit at which the production can be sold but the costs saved by producing therefrom rather than somewhere else, e.g. Kuwait. In that case, the inflow to IPC approaches nil to B.P.; rather more to the other partners. On the other hand you may feel that some of the \$168 m., i.e. that representing back payments of the OPEC settlement, would have to be paid anyway. *Yes, indeed*

7. We now come to the imponderables. There are three -

(i) possession of North Rumaila by another company might lead to pressure on prices

(ii) successful production therefrom might lead other producing countries to initiate Law 80.

? / imitate

/Against these





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# MINISTRY OF POWER

PETROLEUM DIVISION

Thames House South, Millbank, LONDON S.W.1

Telephone: 01-222 7000

Our reference:

Your reference:

-3-

Against these must be put

(iii) the continued idleness of North Rumaila enables the companies to <sup>operate</sup> ~~operate~~ Iran and Saudi Arabia by taking more oil therefrom than would otherwise be the case.

8. Arguments (i) and (ii) have force only if one believes that the price paid for crude covers exploration costs and perhaps an element of rent. The 15% calculations suggest that it doesn't, but we will need to go a lot deeper than this in the course of the I.O.P. - *Wally Pugh*

9. Argument (i) could also have force if another company considered that it had greater security of tenure than I consider IPC would have and is therefore prepared to accept a lower discount rate. This, <sup>or needed</sup> ~~the crude more~~ most unlikely.

10. Argument (ii) could only have force, even given that there is still a rent element in the price of crude, if other producing countries either concluded that the benefits to Iraq of the successful development of N. Rumaila by another company were greater than the losses of income suffered by Iraq since 1961 (and no producing country is foolish enough to believe this) or that it could confiscate a proven field and offload it on to another company a lot quicker and with less effect on its income from its present concessionaries (this too seems most improbable).

11. I have left out a third possible effect of not reaching a settlement - the confiscation of the rest of IPC's properties in Iraq. This could be embarrassing if it happened in the next year or so before the advent of enough supertankers. Therefore, one could argue that the net effect would probably be the <sup>repercussion</sup> ~~repercussion~~ of North Rumaila at a lot cheaper price and increased security for oil companies' concessions elsewhere in the Middle East.

30 12. I conclude that IPC would be very stupid to come to a deal with Iraq on anything like the terms mentioned in Telegram 439 to Baghdad and that HMG, whose main interest is in B.P., should be leaning over backwards to dissuade IPC from coming to such an agreement. I admit that some of my arguments in paras. 7-11 are open to dispute and therefore I am sending copies of this letter also to Alan Gregory and Joe Bruce (who has taken over from Robin Mountfield) and to Peter Derrick at the Treasury. If they agree with me in general, we should quickly telegraph Baghdad to put our Embassy in the picture.

*Yan-eva,*

*Sydney*

(S. W. Fremantle)



PERSONAL AND CONFIDENTIAL



British Embassy,  
BAGHDAD.

(41)

(12/2)

30 November 1968

I.P.C.

Dear Sir,

RECEIVED IN  
ARCHIVES No 4  
- 6 DEC 1968

MCP 359/1

(26) I was very interested to see your letter MCP 359/1 of 19 November 1968 to Trefor Evans. I wonder if it might be helpful if I offer a few personal comments on my own account.

2. I have also known John Sutcliffe for a number of years though not nearly as well as you. I do not think, however, that our opinions of him and his line of thinking would be very different. My own recollection of what he said here accords broadly with what the Ambassador said in his letter 12/2 of 2 November. — (20) Sutcliffe expressed himself as most grateful to the Ambassador both for his advice and for arranging the meeting which Sutcliffe and Macdonald had with Takriti. After this meeting Sutcliffe himself was convinced that it was in the Groups' interest to come up with proposals which might induce the Iraqis to reach a settlement. On the other hand he stressed that he might have difficulty in getting his views across to the shareholders. He said that there should not be too much difficulty with Shell and C.F.P. but, with Maurice Bridgeman away, he was a little dubious about the line which the Board of B.P. under Drake might take. He also thought there would be greater difficulty in persuading the Americans.

3. Sutcliffe's main concern, as he explained it to me after a meeting in the Ambassador's office, was that the Iraqis should not do anything "silly" which might lead to repercussions in neighbouring countries. He felt at that stage that every means should be used to persuade the Board of B.P. of his views and he specifically mentioned the possibility of getting Geoffrey Arthur who has a high reputation in B.P. along to talk to them soon after his arrival back in London. As regards Humphrey Trevelyan, my recollection is that Sutcliffe thought of him as a potential ally on the Board, but I never got the impression that Sutcliffe thought that H.M.G. as such should attempt to take any initiative with the Board of B.P. I know - probably better than most - how counter-productive this could be! We were very glad to hear that Sutcliffe evidently did not run into the difficulties which he had feared with his own Board.

.../4.

J. T. Fearnley, Esq.,  
Commodities and Oil Department,  
F.C.O.

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- 2 -

4. As regards Cocky Hahn we are grateful to you for your warning. We had also had a somewhat similar assessment of him from St. John Armitage. However I must confess that, we have not had evidence that he is attempting to force the pace too much at any rate yet. At any meeting which I have attended, he has been moderate in his line and I have not seen him at variance with Sinclair Road, his assistant on the concession side, whose opinions and personality we here respect.

*Yours Ever*

*Donald*

(D. F. Hawley)  
Commercial Counsellor

*[Signature]*



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MC (42)  
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CYPHER/CAT A

PRIORITY BAGHDAD

TELEGRAM NUMBER 512

TO FOREIGN AND COMMONWEALTH OFFICE  
9 DECEMBER 1968

CONFIDENTIAL.

ADDRESSED TO F C O TELEGRAM NUMBER 512 OF 9 DECEMBER REPEATED  
FOR INFORMATION SAVING TO WASHINGTON PARIS TEHRAN THE HAGUE AND  
BEIRUT.

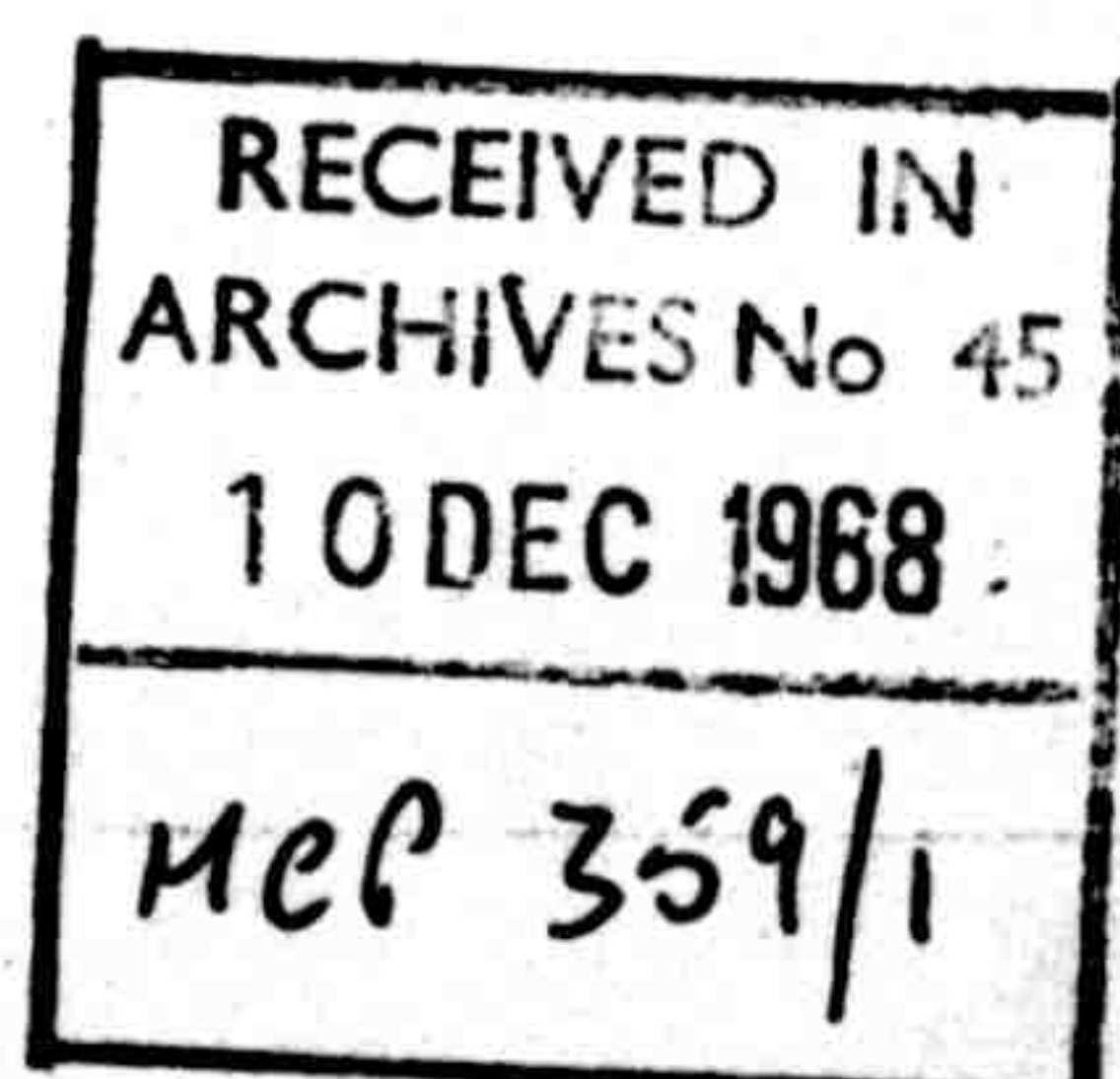
37

MY TELNO 474 IRAQI OIL.

HAHN AND ROAD HAD TWO HOURS WITH THE IRAQI MINISTER OF OIL,  
DR RAFAI, ON 7 DECEMBER. HE WAS RELAXED AND FRIENDLY BUT  
ENTIRELY NEGATIVE. HE WAS ALSO UNCOOPERATIVE ON DAY TO DAY  
MATTERS.

2. HAHN TOLD HIM THAT THE EXTENSION OF THE LOAN REPAYMENT  
PERIOD, ALTHOUGH INCONVENIENT, HAD BEEN AGREED BY THE COMPANY AND  
ALSO THAT GROUP REPRESENTATIVES COULD BE EXPECTED TO ARRIVE  
SHORTLY. DR RAFAI EXPRESSED THANKS FOR THE FORMER, BUT WITH  
REFERENCE TO THE LATTER, SAID THAT THEY WERE WELCOME TO COME  
TO SEE IRAQ, BUT NOT TO HOLD FURTHER EXPLORATORY TALKS. THEY  
SHOULD BE PREPARED TO GIVE SPECIFIC ANSWERS TO OUTSTANDING  
QUESTIONS AND IN PARTICULAR THE QUESTION OF AN ADVANCE OF  
ROYALTY EXPENSING PAYMENTS, AND ALSO TO NEGOTIATE QUOTE ITEM  
BY ITEM UNQUOTE.

3. DR RAFAI SAID THAT THE IRAQI SIDE HAD LISTED ALL OUTSTANDING  
ITEMS AND THE TIME WAS SHORT. THE SECOND FIVE-YEAR DEVELOPMENT  
PLAN WOULD BE FINALISED DURING THE COMING MONTHS AND IT WAS  
ESSENTIAL FOR THE GOVERNMENT TO KNOW WHAT THEIR FINANCIAL  
RESOURCES WERE.



CONFIDENTIAL

/4.

P. a.  
11  
12



CONFIDENTIAL

- 2 -

4. AT ONE POINT DR RAFAI SAID HE KNEW WHY THE COMPANY WERE STALLING: THEY THOUGHT THERE WOULD BE ANOTHER COUP. BUT THEY WERE WRONG.

5. ROAD IS ON HIS WAY TO LONDON TODAY BY AIR TO REPORT.

FCO PASS SAVING TO WASHINGTON PARIS TEHRAN BEIRUT AND THE HAGUE

MR. EVANS.

[REPEATED AS REQUESTED]

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43



MINISTRY OF POWER

PETROLEUM DIVISION

Thames House South, Millbank, LONDON S.W.1

Telephone: 01-222 7000 - Ext. 1081

Our reference:

9th December, 1968.

Your reference:

register &  
return to me  
(I have p.p.)

W.H. 11/12

P.G. Wallis, Esq.,  
Commodities & Oil Dept.,  
Foreign & Commonwealth Office,  
Downing Street,  
S.W. 1.

Dear Peter,

Value of North Rumaila



Joe Bruce has pointed out an arithmetical error in the calculations in my letter of 4th December. For this I apologize.

Although I said that I took investment costs as \$5.6 per annual ton, I have in fact worked on a figure of \$6.6. When corrected, the figures in column 2, paragraph 5, should read :- 168, 70, 14 (five times);

in column 4 should read : - 70, - 5.25, + 11.75, + 21, + 29.75;

in column 5 should read : - 55.95, - 3.36, + 1.79, + 4.81, + 6.88, + 9.61;

in column 6 should read : - 60.13, - 3.97, + 2.30, + 6.72, + 10.44, + 12.86.

The results are not very different. It is still not worth making any payment at all for North Rumaila at a 25% discount rate (though IFC might be willing to take back North Rumaila if paid only \$ 9 m. instead of \$24 m. by the Iraq Government). At a 15% discount rate, it is worth paying \$21.33 m. to get the oilfield back.

I am sending copies of this letter to Alan Gregory, Joe Bruce and Peter Derrick.

Yours ever,  
Sydney  
(S.W. Fremantle)

Minute.

W.H. 17/12



1. Mrs Elwell, IRD

Reference

2. M<sup>r</sup> Makinson, NED.

(44)

with 6 enclosures.

Iraq Petroleum Company

(37) As a result of Mr. Arthur's enquiry, I have been trying to find out more about the reference in Baghdad telegram no. 474 paragraph 1(iv) to "the efforts being made by IPC on an unattributable basis to give publicity to the Arab cause over Palestine".

2. From what IRD tell me the IPC (and BP) employ an agency in Beirut known as "Business Services Research". This agency is run by a certain Farid Rizk whose general purpose is to give publicity to what is described as "the Arab achievement". The agency has also been employed to secure specific propaganda ~~purpose~~ objectives on behalf of the IPC. It was, for example, through them that a number of articles favouring the IPC case over a strike in their refinery in the Lebanon were published in the Lebanon several years ago. As far as IRD were aware, however, this agency had not been employed by IPC to obtain publicity "for the Arab cause over Palestine".

(37) 3. I also spoke to Mr. Dalley of the IPC in London who had previously been informed by Mr. Fearnley of the contents of Baghdad telegram no. 474. Since IRD did not wish it to be known that we were aware of what is recorded in the preceding paragraph, I made no reference to it when speaking to Mr. Dalley, and he for his part did not mention it either. Mr. Dalley confined himself to telling me that they had financed the publication of an UNRWA pamphlet about the Arab refugees entitled "Twice in a Lifetime". He has subsequently sent copies round from which it will be seen that UNRWA acknowledge the help they have had from IPC. It does not therefore come into the unattributable category. Mr. Dalley said that the only thing apart from this that he could think of was the support which the company gave to the Council of Arab-British Understanding. At his request I read over again the relevant sentence of the telegram and he professed himself unable to understand what could be meant by the wording which was used.

4. It is not clear whether we have yet got to the bottom of this. One is left with the slight impression that Mr. Dalley may not have been entirely frank with me in that he made no reference to the link with Rizk in Beirut and Mr. Fearnley has suggested that we should ask for further elucidation from Baghdad. I have sent off a telegram accordingly.

5. Pending a reply from Baghdad, I suggest that Near Eastern Department might inform Mr. Arthur of the results of our enquiries so far, together with any other points which IRD may have to add.

*R.H. Ellingworth*  
(R.H. Ellingworth)  
Commodities & Oil Dept.  
3 December, 1968  
Rm. G 64/G  
Tel. G 24

/over

Copy to:

Mr. Makinson,  
N.E.D.

[Copy attached]



Farid Rikh and his activities will be well known to Mr. Nakinson and Mr. Moore.

2. The phrase "on an unattributable basis" is a curious one, and seems unlikely to have been used by either the Iraqis or the I.P.C. officials. B.S.R. is a public relations firm, with close connections with the Lebanese press, and in addition to its work for I.P.C. and B.P. it is employed by the Saudis and, I think, on occasions by the Iranians. Its purpose is not so much to give publicity to Arab achievement as to do what it is paid to do by arranging publicity on lines required by its customers.

C. Elwell —

4/12/68

Separate minute, (Detached)  
AMR  
6-3

John  
4/12

I knew Mr. Hahn as an IPC representative in Beirut. He persuaded the IPC to give him a budget for publicity activities designed to present the IPC as a friend of the Arabs.

He was also personally interested in action in mistaking the Arabs to put their case against Israel across. I would not be surprised if as well as financing project, such as the pamphlet on UNWRA, he had not made I.P.C. funds available for other Arab propaganda activities.



activities possibly conducted by  
Business Source Research, but I have  
no evidence.

In any case I don't think we  
have any interest in interfering.

ARR. 17 Jan  
6-12.

17- A. H. H.

Thank you. I have since  
seen a tel. from Baghdad indicating  
that the UNRWA pamphlet was what was  
had in mind. Hahn boasts attention, so  
it is hardly "unattributable".

12

ARR.  
9-12

Return to oil Dept for entry. 18 Jan  
10/12



WITH

44

**Enclosures of**.....

*TWICE IN A LIFETIME.*



Oil Reg

Pamphlet sent to:

MISS ELWELL, I.R.D.

on 2 July 1969, with the request  
that it be returned.

See minute "with 92" on ML

359/1

  
2/7



"Value of North Rumaila"

M<sup>2</sup> ~~Fremantle~~

These letters from M<sup>2</sup> Fremantle have in a sense been overtaken because the attitude of the Iraq Govt has led the IPC to act more slowly than envisaged in FCO tel No 439.

2. M<sup>2</sup> Fremantle's premise appears to be that the IPC's aim is to buy back N. Rumaila. This is questionable and is not stated in the FCO tel he refers to. It would be at least as true to state as the aim the surrender of North Rumaila, provided/sufficient



sufficient compensation were paid —  
in which case the IPC would in essence  
be paying  $\$168m - (x)m$  to  
safeguard their present operations,  
admitted even by  $m^2$  Fremantle  
to have a temporary value. No  
doubt this is a false formulation  
too, though I think it is ~~tr~~ nearer  
to the true one.

3. This dubious starting point —  
and a lack of any consideration of  
what could be called wider issues  
— see for example the first sentence  
of 11 — leads to a lack of  
balance in the letter. I am afraid  
I am unable to comment on the  
sums, but the presentation of the  
"independables" is very questionable.

The basic fault in the argument is that it  
ignores ~~it~~ that IPC cannot hope to preserve



Their present position without showing at least a willingness to move. Hence Their policy of "steering a course" as you have put it.

4. Having said all this, I must admit to some sympathy with what I think is the basic Min. of Power approach - namely that the continuation of the present stalemate is preferable to a settlement which involves a lot of payments by IPC. If the Min. of Power calculations are right, there would be a case against <sup>a policy</sup> trying to "buy back" N. Rumaila.

5. You may like to mention this doubt to the IPC / when



when you see them at lunch  
today. The best way of testing  
the Min of Power figures would  
be for them to put them to the  
IPC who have presumably also  
made some calculations.

R. W. Ellingham  
17/12/68.

Mr. Ellingham

We spoke. As you know,  
Mr. Fremantle's sweeping suggestions caused me  
concern which I intended expressing to Mr.  
Gregory. Please see separate minute on  
the copy of Mr. Gregory's minute of 16 Dec.

p. 9.

W. H. 18  
12

W  
18/12



CONFIDENTIAL

TOP COPY

MC

CYPHER/CAT.A.

FROM PRIORITY BAGHDAD

TELEGRAM NO. 520

TO FOREIGN AND COMMONWEALTH OFFICE

10 DECEMBER 1968

45

CONFIDENTIAL

ADDRESSED TO FCO TELNO. 520 OF 11 DECEMBER REPEATED FOR INFORMATION SAVING TO PARIS WASHINGTON THE HAGUE TEHRAN BEIRUT.

IRAQI OIL.

I CALLED ON THE IRAQI MINISTER OF OIL THIS MORNING IN ORDER INTER ALIA, TO INTRODUCE MY COMMERCIAL COUNSELLOR.

2. DR. RIFAI SPOKE AT LENGTH ABOUT THE IPC. HE SAID THAT HE HAD UNDERSTOOD FROM JACKLI AND LATER FROM HAHN THAT THE COMPANY WAS FULLY AWARE OF THE IRAQI GOVERNMENT'S VIEWS ON OUTSTANDING ISSUES AND WERE WILLING TO DISCUSS THEM ITEM BY ITEM. HE HAD THEREFORE BEEN AMAZED, AND ALSO MOST DISAPPOINTED, THAT THE GROUP REPRESENTATIVES, SUTCLIFFE AND MACDONALD HAD PROFESSED TO HAVE NO KNOWLEDGE OF THIS BUT SEEMED TO BE THINKING IN TERMS OF SOME SORT OF PACKAGE DEAL. HE HAD EXPLAINED THE IRAQI POINT OF VIEW TO THEM AT LENGTH AND HE HAD NOW MADE IT CLEAR TO HAHN AND ROAD THAT, UNLESS THE GROUP REPRESENTATIVES WERE PREPARED TO GIVE SOME INDICATION OF WHAT THEY PROPOSED, THERE WAS NO POINT IN THEIR COMING.

3. RIFAI SAID HE HAD LISTED ALL OUTSTANDING POINTS WHICH HAD BEEN THE SUBJECT OF NEGOTIATION SINCE 1960. THE IRAQI VIEW WAS THAT THEY WERE OWED BETWEEN 70 AND 80 MILLION WHEREAS THE COMPANY APPARENTLY ADMITTED THAT THE FIGURE WAS IN THE REGION OF 50 MILLION. SURELY THE COMPANY COULD BEGIN BY MAKING A PAYMENT ON ACCOUNT, LEAVING DETERMINATION OF THE FINAL SUM TO BE PAID FOR THE NEGOTIATION?— ONCE THE MAJOR ISSUES INVOLVED I.E. ROYALTY EXPENSING, THE PRICE OF OIL AND THE RELATIONSHIP BETWEEN THE GOVERNMENT /AND

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I have told Mr Dalley  
and minutes accordingly.

Mr 12/12.



AND THE COMPANY (APPARENTLY IN RESPECT OF ACCESS TO ACCOUNTS ETC.), THE SUBSIDIARY ISSUES COULD BE SOLVED WITHOUT DIFFICULTY.

4. RIFAI EXPLAINED, AS HE HAD TO HAHN AND ROAD (PLEASE SEE MY TELNO. 512) THAT THE GOVERNMENT NEEDED TO KNOW WHAT RESOURCES THEY COULD COUNT ON IN CONNECTION WITH THE NEXT FIVE YEAR PLAN. HE KNEW THAT THE COMPANY HAD A CRASH DEVELOPMENT PROGRAMME WHICH COULD BE PUT INTO EFFECT IMMEDIATELY AN AGREEMENT WAS REACHED AND WHICH WOULD BE TO THE ADVANTAGE OF IRAQ AND OF THE COMPANY. IF THERE WAS NO AGREEMENT, THE GOVERNMENT WOULD NATURALLY HAVE TO RELY ON OTHER RESOURCES TO FINANCE THE PLAN. THE COMPANY WERE MISTAKEN IF THEY THOUGHT THAT THE IRAQI GOVERNMENT WOULD LOWER THEIR SIGHTS IF THE COMPANY HELD BACK. SUCH DELAYING TACTICS WOULD NOT WORK.

5. TURNING BACK TO THE PROSPECT OF NEGOTIATIONS, RIFAI SAID THAT AN AGENDA COULD BE DRAWN UP ONCE THE ATTITUDE OF THE GROUPS BECAME CLEAR. THE POINTS OUTSTANDING ON BOTH SIDES WERE WELL KNOWN. FOR HIS PART HE WANTED A FRUITFUL NEGOTIATION AND WAS PREPARED FOR THIS TO BE HELD EVEN DURING THE RAMADAN FAST (WHICH GOES ON TILL ABOUT 20 DECEMBER). HOWEVER IT WAS NO USE GOING ROUND IN CIRCLES. THIS COULD ONLY CAUSE THE SAME SORT OF ILL-FEELING AS HAD BEEN AROUSED BY THE LAST ROUND. HE UNDERSTOOD THAT ROAD HAD NOW GONE TO LONDON TO EXPLAIN THE IRAQI POINT OF VIEW.

6. RIFAI WAS FRIENDLY AND SPOKE OF THE CONSIDERABLE OPPORTUNITIES IN THIS COUNTRY FOR BRITISH FIRMS AT THE PRESENT TIME PROVIDED THEIR APPROACH WAS RIGHT. FCO PLEASE PASS SAVING TO PARIS WASHINGTON THE HAGUE TEHRAN BEIRUT.

MR. EVANS

[REPEATED AS REQUESTED]

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EX. PRO. D.  
TRADE POL. D.



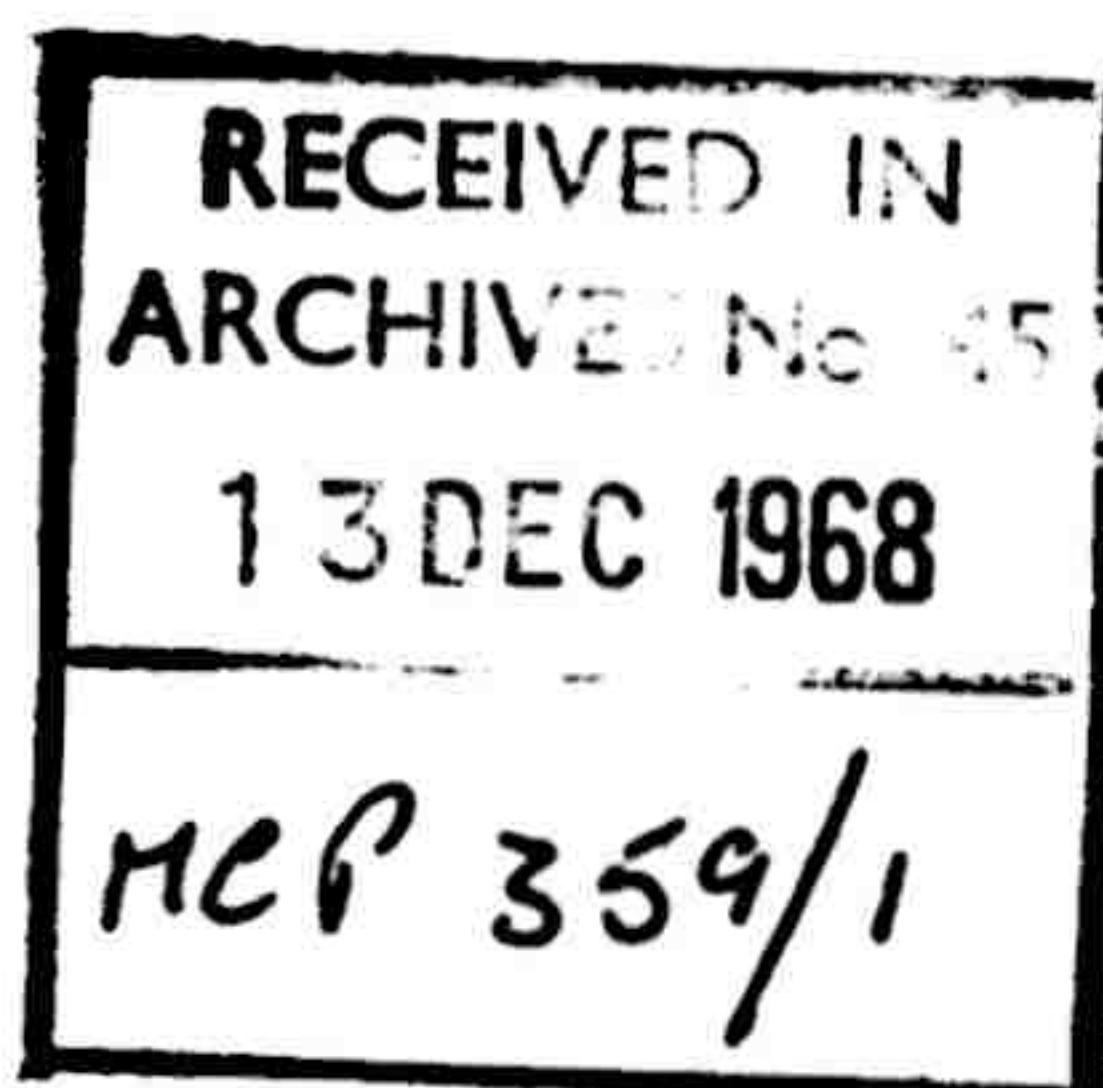
Mr. Fearhley

Iraq Oil

45 I telephoned Mr. Dalley of the IPC today to give him the gist of Baghdad telegrams Nos. 517 and 520. Mr. Dalley had no comment to make on the first but said he was grateful to have this background information.

2. On Baghdad telegram No. 520, Mr. Dalley said that the Iraqi line as expounded by the Minister to the Ambassador was similar to what they had themselves heard from Mr. Road, at present back in this country for consultations. From the IPC's point of view there were obvious reasons why they should not wish to proceed on the basis the Iraqis were asking. The company would in effect be giving way to the Iraqi demands and would be receiving nothing from them in return. At the end they would find that they had given away all their cards and received no satisfaction over issues such as North Rumaila. He was sure that the Groups would not wish to send a further delegation to Iraq on the basis that the Iraqis were demanding. The company had agreed to postpone until 1970/71 the repayment of a loan of £8 million which was due to them on January 1, 1969 and he foresaw no present prospect of any further concessions on the company's part.

3. Mr. Dalley said that they foresaw some difficulty in the company's being able to maintain contacts with the Iraqi Ministers in the future. He understood that there had been a Cabinet order to the effect that appointments with Ministers should in future be arranged through the Ministry for Foreign Affairs in Baghdad and that the normal rule would be that agreement would only be given for a meeting with the Minister who was directly responsible. This would affect their contacts with, e.g., Takriti.



*R.H. Ellingworth*  
(R.H. Ellingworth)  
11 December 1968

c.c.  
Mr. Gallagher  
Near Eastern Department  
Mr. Gregory, Ministry of Power  
Mr. Derrick, Treasury.

*Dr. Tye. submitted separately to Mr. Gallagher  
after a brief talk I had yesterday with Mr. Dalley.*

CONFIDENTIAL

*Ma*

*Wt*

*13/12*



TOP COPY

47

CONFIDENTIAL

CYPHER CAT A

PRIORITY BAGHDAD

TELEGRAM NUMBER 524

TO FOREIGN AND COMMONWEALTH OFFICE

12 DECEMBER 1968

MC

CONFIDENTIAL

ADDRESSED TO FCO TELNO. 524 OF 11 DECEMBER REPEATED FOR  
INFORMATION SAVING TO PARIS WASHINGTON THE HAGUE TEHRAN  
AND BEIRUT

MY TELNO. 520, IRAQI OIL.

I HAVE INFORMED HAHN.

RECEIVED IN  
ARCHIVES No 45  
13 DEC 1968

MC 359/1

2. IT WAS CLEAR FROM WHAT SUTCLIFFE TOLD ME AT THE TIME  
THAT HIS AND MACDONALD'S MEETING WITH THE IRAQI MINISTER  
OF OIL ON 17 OCTOBER WAS FAR FROM BEING A SUCCESS -  
PLEASE SEE MY TELEGRAM NO. 347. IT IS HOWEVER EXTRAORDINARY  
THAT DR. RIFAI SHOULD HAVE UNDERSTOOD THEM TO SAY THAT  
HIS VIEWS AS EXPRESSED TO JACKLI AND HAHN WERE NOT KNOWN  
TO THEM. ACCORDING TO HAHN, HE PICKED ON AN INJUDICIOUS  
REMARK ABOUT ROYALTY EXPENSING, SOMETHING TO THE EFFECT  
THAT THEY HAD NO KNOWLEDGE OF ANY IRAQI DEMAND FOR ADVANCE  
PAYMENT. SUTCLIFFE AND MACDONALD, FOR THEIR PART,  
WERE EQUALLY SURPRISED AND DISAPPOINTED THAT DR.  
RIFAI, HAVING HELD OUT HOPES OF SOME PROGRESS ON NORTH  
RUMAILA, HAD MERELY REFERRED THEM TO THE MANAGEMENT  
OF THE NATIONAL OIL COMPANY.

16

3. OTHERWISE, OUR INTERVIEW YESTERDAY WITH DR.  
RIFAI WAS NOT DISCOURAGING. IN PARTICULAR, THE REF-  
ERENCE TO THE CRASH PROGRAMME AND TO THE NEW FIVE YEAR  
PLAN WOULD SEEM TO BE SIGNIFICANT. THE IMPLICATION  
IS THAT THE IRAQI GOVERNMENT WANT THE PROGRAMME TO BE

/IMPLEMENTED

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M<sup>2</sup> Fearnsley  
is considering a  
comment on this.

P.A.

16  
12



IMPLEMENTED FOR THE BENEFIT OF THE PLAN, AND THIS WOULD APPEAR TO OFFER TO THE COMPANY SOME GUARANTEE OF REMAINING IN BUSINESS FOR FIVE YEARS AT LEAST. OBVIOUSLY, THE MORE INDISPENSIBLE THE COMPANY CAN MAKE ITSELF IN THE CONTEXT OF THE ECONOMIC DEVELOPMENT OF THE COUNTRY, THE BETTER ARE ITS CHANCES OF PROFITABLE SURVIVAL. SUGGESTIONS THAT THE COMPANY HAS FAILED TO IDENTIFY ITSELF WITH THE WELFARE OF THE IRAQI PEOPLE - AND THESE HAVE BEEN HEARD REGULARLY IN VARIOUS FORMS OVER THE PAST FEW MONTHS AND ARE IN SHARP CONTRAST TO PREVIOUS CHARGES OF MEDDLING IN THE COUNTRY'S INTERNAL AFFAIRS - TEND TO SUPPORT THIS INTERPRETATION.

4. HAHN AGREES, BUT BELIEVES THAT ALL DR. RIFAI IS REALLY INTERESTED IN IS WHETHER THE COMPANY IS PREPARED TO MAKE A DOWN-PAYMENT, AND THAT HIS INSISTENCE ON KNOWING THE COMPANY'S ATTITUDE TO QUESTIONS ON HIS LIST (NUMBERING NO LESS THAN 18) MERELY REFLECTS THIS. HAHN FURTHER BELIEVES NOW THAT DR. RIFAI IS NOT THE MAN TO MAKE AN AGREEMENT - HE IS AN ENGINEER AND NOT A POLITICIAN - AND IN ANY CASE HE MAY BE ON THE WAY OUT. HIS UNCOOPERATIVE ATTITUDE ON DAY TO DAY QUESTIONS SUCH AS LABOUR PERMITS, FINANCE CERTIFICATES, ETC. SUGGESTS AN UNWILLINGNESS TO ACCEPT RESPONSIBILITY. FURTHERMORE, DR. RIFAI HIMSELF MADE IT CLEAR ENOUGH TO HAHN ON 7 DECEMBER THAT UNLESS THE COMPANY'S INTENTIONS WERE CLEARER A VISIT BY THE GROUP'S REPRESENTATIVES WOULD SERVE NO USEFUL PURPOSE AT THIS STAGE AND THE UNDER-SECRETARY AT THE MINISTRY OF OIL IN FACT INDICATED THAT HE DID NOT EXPECT NEGOTIATIONS TO START UNTIL JANUARY. HAHN'S VIEW IS THAT NO PROGRESS CAN BE MADE UNTIL TAKRITI, AMMASH AND SHEIKHLY GIVE THE BUSINESS THEIR BLESSING. (TAKRITI AND SHEIKHLY ARE RETURNING FROM TEHRAN TODAY.)

/5. I HAVE



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BAGHDAD TELEGRAM NO.524 TO FOREIGN AND COMMONWEALTH OFFICE

-3-

5. I HAVE NO DOUBT THAT HAHN IS RIGHT ABOUT THE DOWN-PAYMENTS AS THE IRAQIS CLEARLY HAVE THE BIT BETWEEN THEIR TEETH OVER ROYALTY EXPENSING.

I AM NOT SO SURE ABOUT THE REST. PERHAPS THE SITUATION WILL BE CLEARER WHEN TAKRITI IS BACK AND HAS TAKEN STOCK OF THE SITUATION.

CO PLEASE BASS SAVING TO PARIS, WASHINGTON, THE HAGUE TEHRAN AND BEIRUT.

MR. EVANS

[REPEATED AS REQUESTED] 1968

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COMMODITIES AND OIL DEPARTMENT,

48

RECEIVED IN  
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10 DEC 1968

13 December, 1968

McP 359/1

39

37

End to 44

Your telegram No. 502 explains the reference in your telegram No. 474, paragraph 1(iv), to "the efforts being made by IPC on an <sup>un</sup>attributable basis to give publicity to the Arab cause over Palestine". We have now received from IPC in London a copy of the UNRWA publication "Twice in a Lifetime" and it is made clear on a slip attached to the publication that IPC have assisted in its production. If this slip generally accompanied the publication, as we presume it would, then the publication could hardly be said to be <sup>un</sup>attributable. I thought it would be useful for you to have a note of this point on your files.

(P. G. Wallis)

A. E. Saunders, Esq.,  
British Embassy,  
Baghdad.

Top copy re-typed.  
Enter and re-submit to  
Mr. Hamley (folio 41)

AKD

13/12

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49

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CYPHER/CAT A AND BY BAG

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ROUTINE FOREIGN AND COMMONWEALTH OFFICE

TO BAGHDAD

TELEGRAM NUMBER 513

13 DECEMBER 1968. (C.& O.D.)

RECEIVED IN
ARCHIVES No.
16 DEC 1968
MCP 359/1

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ADDRESSED TO BAGHDAD TELNO 513 OF 13 DECEMBER REPEATED FOR INFORMATION SAVING TO BEIRUT, THE HAGUE, PARIS, TEHRAN, WASHINGTON.

45 YOUR TELNO 520 OF 10 DECEMBER: IRAQ OIL.

NE.

WE GAVE THE GIST OF THIS TELEGRAM AND YOUR TELEGRAM NO 517 IN CONFIDENCE TO THE I P C HEAD OFFICE.

2. WE TAKE IT THAT, FACED WITH THE MINISTER'S COMMENTS, YOU INDICATED DISSENT AS APPROPRIATE. THERE IS ALWAYS THE DANGER THAT THE IRAQIS MIGHT SEEK TO INTERPRET ANY SILENCE ON OUR PART IN SUCH A CONTEXT AS BROAD ACQUIESCENCE IN THEIR ARGUMENTS.

3. HAVING HEARD ROAD'S REPORT (YOUR TELNO 512) THE I P C 42 GROUPS HAVE THE CLEAR IMPRESSION THAT THE IRAQ GOVERNMENT ARE SIMPLY AFTER A DOWNPAYMENT (MINISTER OF OIL TALKED OF 10 TO 20 MILLION POUNDS STERLING) WITHOUT GIVING ANYTHING IN RETURN. THE GROUPS AGREED TO EXTEND THE 8 MILLION POUNDS STERLING LOAN REPAYMENT WITHOUT HAGGLING AND THEY ARE NOT (REPEAT NOT) OPPOSED TO A PIECEMEAL APPROACH (MY TELNO 439), BUT IN THE PROCESS THEY 30 WOULD WANT TO GET AS WELL AS GIVE. FOR YOUR OWN INFORMATION, THE GROUPS ARE CONSEQUENTLY NOT IN A HURRY TO SEND A TEAM OUT FROM HERE AND, SUBJECT TO FURTHER DEVELOPMENTS AND ANY SECOND THOUGHTS, ONE CANNOT BE EXPECTED FOR A MONTH OR SO.

4. IN THE CIRCUMSTANCES, IT WOULD SEEM SAFER FOR YOU TO AVOID AS FAR AS POSSIBLE DISCUSSIONS WITH THE IRAQIS ON THE PRESENT POSITION AND PROSPECTS, REFERRING THEM AS NECESSARY TO THE LOCAL I P C REPRESENTATIVE AND STRESSING THAT THESE MATTERS ARE FOR DIRECT GIVE-AND-TAKE NEGOTIATION BETWEEN THE IRAQ GOVERNMENT AND THE COMPANY.

STEWART

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RESEARCH DEPT.  
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Registry No.  
DEPARTMENT C & O D

• Date and time (G.M.T.) telegram should  
reach addressee(s)

SECURITY CLASSIFICATION

PRIORITY MARKINGS

Top Secret  
Secret  
Confidential  
Restricted  
Unclassified

Flash  
Immediate  
Priority  
Routine

(Date) 14/12

Despatched 6355

CYPHER

PRIVACY MARKING

~~In Confidence~~

Ex Clair.  
Code  
Cypher

[Security classification  
—if any]

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[Privacy marking  
—if any]

[Codeword—if any]

Addressed to BAGHDAD

telegram No. 513 (date) 13 Dec

And to

repeated for information to

Saving to BEIRUT, THE HAGUE, PARIS, TEHRAN, WASHINGTON

Your telegram No. 520 [10 December] : Iraq Oil.

We gave the gist of this telegram and your telegram No. 517 in confidence to the IPC Head Office.

2. We take it that, faced with the Minister's comments, you indicated dissent as appropriate. There is always the danger that the Iraqis might seek to interpret any silence on our part in such a context as broad acquiescence by HMG in their arguments.

3. Having heard Road's report (your telegram No. 512), the IPC Groups have the clear impression that the Iraq Government are simply after a downpayment (Minister of Oil talked of 10 to 20 million pounds sterling)

NOTHING TO BE WRITTEN IN THIS MARGIN

Draft Telegram to:—  
BAGHDAD

No. 513

(Date) 13/12

And to:—

[FLAG A]

Repeat to:—

Agreed with Near  
Eastern Dept.  
(Mr. Makinson)

[FLAG B]

Saving to:—

BEIRUT  
THE HAGUE  
PARIS  
TEHRAN  
WASHINGTON

Departmental  
Distribution:—  
C & O Dept.  
NED, Arabian,  
NAD, WED, News,  
EEID, Research  
Guidance, IRD

[FLAG C]

Copies to:—

3 cc Mr. Gregory,  
Min of Power  
3 cc Mr. Derrick  
Treasury

EXAMINED  
SIGNATURE

1453/13/12

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without giving anything in return. The Groups  
agreed to extend the £8 million loan repayment without  
haggling and <sup>they</sup> are not (repeat not) opposed to a piece-  
meal approach (my telegram No. 439), but in the process  
they would want to get as well as give. For your own  
information, the Groups are consequently not in a hurry  
to send a team out from here and, subject to any  
second thoughts, one cannot be expected for ~~about~~ a  
month or so.

for the developments  
and

4. In the circumstances, it would seem safer <sup>for you</sup> to avoid  
as far as possible discussions with the Iraqis on  
the present position and prospects, referring them as  
necessary to the local IPC representative and stressing  
that these matters are for direct give-and-take  
negotiation between the Iraq Government and the company.

£1.12.

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ROUTINE BAGHDAD

TELEGRAM NO. 531

TO FOREIGN AND COMMONWEALTH OFFICE

14 DECEMBER 1968

MC

CONFIDENTIAL.

ADDRESSED TO FCO TELEGRAM NO. 531 OF 14 DECEMBER REPEATED FOR  
INFORMATION SAVING TO PARIS WASHINGTON THE HAGUE TEHRAN AND BEIRUT.

MY TELEGRAM NO. 520 : IRAQI OIL. — (45)

SINCLAIR ROAD HAS NOW RETURNED AND HE AND HAHN CALLED LAST NIGHT.

2. ROAD SAID THAT HE HAD FORTUNATELY BEEN ABLE TO ATTEND A MEETING  
OF GROUP REPRESENTATIVES. OPINION HAD HARDENED FOLLOWING PRESS  
REPORTS OF DEVELOPMENTS HERE, BUT HAD BEEN ABLE TO PUT THINGS  
IN PERSPECTIVE. AS A RESULT GOOD PROGRESS HAD BEEN MADE AND HAHN  
WOULD BE ABLE TO INFORM THE IRAQI MINISTER OF OIL (WHOM HE HOPED  
TO SEE ON 16 DECEMBER) THAT GROUP REPRESENTATIVES WOULD BE COMING  
OUT AFTER THE HOLIDAYS WITH POSITIVE (? WORD OMITTED). HAHN ALSO  
PROPOSES TO TELL DR. RIFAO THAT THE COMPANY IS PROPOSING TO  
INTEREST ITSELF IN SOME WELFARE PROJECT AND WILL ENQUIRE WHETHER  
SOMETHING IN THE PUBLIC HEALTH FIELD WOULD SUIT — PLEASE PARAGRAPH  
(19) 3 OF MY TELNO. 394.

3. IN THE MEANTIME, GROUP REPRESENTATIVES ARE TRYING TO WORK  
OUT A FORMULA OF WHAT CAN BE COMMUNICATED TO THE MINISTER BEFORE  
THEIR ARRIVAL WHICH WOULD CONVINCE HIM OF THE SERIOUSNESS OF THEIR  
INTENTIONS, BUT AT THE SAME TIME NOT SHOW THEIR (? WORD OMITTED).

FCO PASS SAVING TO PARIS WASHINGTON THE HAGUE TEHRAN AND BEIRUT.

MR. EVANS

/ REPEATED AS REQUESTED /

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XXXXXX



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M. Fearnley

(51)

see minute on original

J.T.F.

this is definite. H.M. Ambassador

13/12 has been robust in the past &

he may have had other reasons for not meeting on this occasion.

Mr. Fearnley

Iraq Oil

May 9 pt. see the telegram before

I have recorded in a separate minute my <sup>unpublished</sup> discussion with Mr. Dalley this afternoon about Baghdad telegrams Nos. 517 and 520. Mr. Dalley also <sup>12/12</sup> made it very plain and asked me to tell you that he was not at all happy about the way in which the Ambassador had handled his meeting with the Iraqi Minister of Oil. From what had been reported the Ambassador had listened without comment to what the Minister had said even though much of this had been unacceptable from the IPC's point of view. The company might be willing to make payments for royalty expensing etc. in the context of a general agreement, but as things stood they were far from reaching such an agreement and they certainly did not admit any liability now. Mr. Dalley thought it would really be much better if the Ambassador took the line on such occasions that these were matters for discussion between the Iraqi Government and the company. If the Minister were allowed to expatiate as on this occasion without interruption the next thing would be that the Iraqi Government would be saying that the Ambassador accepted their case.

2. In my view there is some justice in Mr. Dalley's complaint. Indeed, it can be questioned whether it was very timely for the Ambassador to arrange this meeting with the Minister at a time when he was aware that one of the IPC representatives was back in London for consultations about the company's policy.

3. I think therefore that we should report Mr. Dalley's reaction by telegram to Baghdad, making the point that it seems very unlikely that a further IPC delegation will go to Baghdad in the near future and impressing on the Ambassador the need to keep in the closest touch with the company's representatives. Before being drawn into any further discussion of these matters with the Iraqis.

(R.H. Ellingworth)  
11 December 1968

C.C.  
Mr. G. Gallagher. ✓

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Reference.....

RECEIVED IN  
ARCHIVES No. 45

17 DEC 1968

MCP 359/1

Mr. Fearnley

Iraq Oil

I have recorded in a separate minute my discussion with Mr. Dalley this afternoon about Baghdad telegrams Nos. 517 and 520. Mr. Dalley also made it very plain, and asked me to tell you, that he was not at all happy about the way in which the Ambassador had handled his meeting with the Iraqi Minister of Oil. From what had been reported the Ambassador had listened without comment to what the Minister had said even though much of this had been unacceptable from the IPC's point of view. The company might be willing to make payments for royalty expensing etc. in the context of a general agreement, but as things stood they were far from reaching such an agreement and they certainly did not admit any liability now. Mr. Dalley thought it would really be much better if the Ambassador took the line on such occasions that these were matters for discussion between the Iraqi Government and the company. If the Minister were allowed to expatiate as on this occasion without interruption the next thing would be that the Iraqi Government would be saying that the Ambassador accepted their case.

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*R.H. Ellingworth*

(R.H. Ellingworth)  
11 December 1968

C.C.  
Mr. Gallagher.

*Mr. Gallagher*

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Mr. Gallagher

Please see also your minute on the attached copy of the above.

2. I spoke to Mr. Dalley, who without prompting acknowledged that he had strayed in his comments rather outside his own field. He was, however, rather concerned about the way the Iraqis might react if we let such comments pass in silence. I said that Mr. Ambassador may well have spoken back to the Minister in the usual lines but in reporting ~~and~~ assumed we would take this for granted.

3. I submit a draft telegram, ~~agreed~~ <sup>agreed</sup> with NED, which incorporates a fairly gentle warning about the dangers of his, and with him Harb's, getting involved in this intractable dispute.

J. J. J. J.  
12/12

→ Mr. Elmaghrabi a.a.

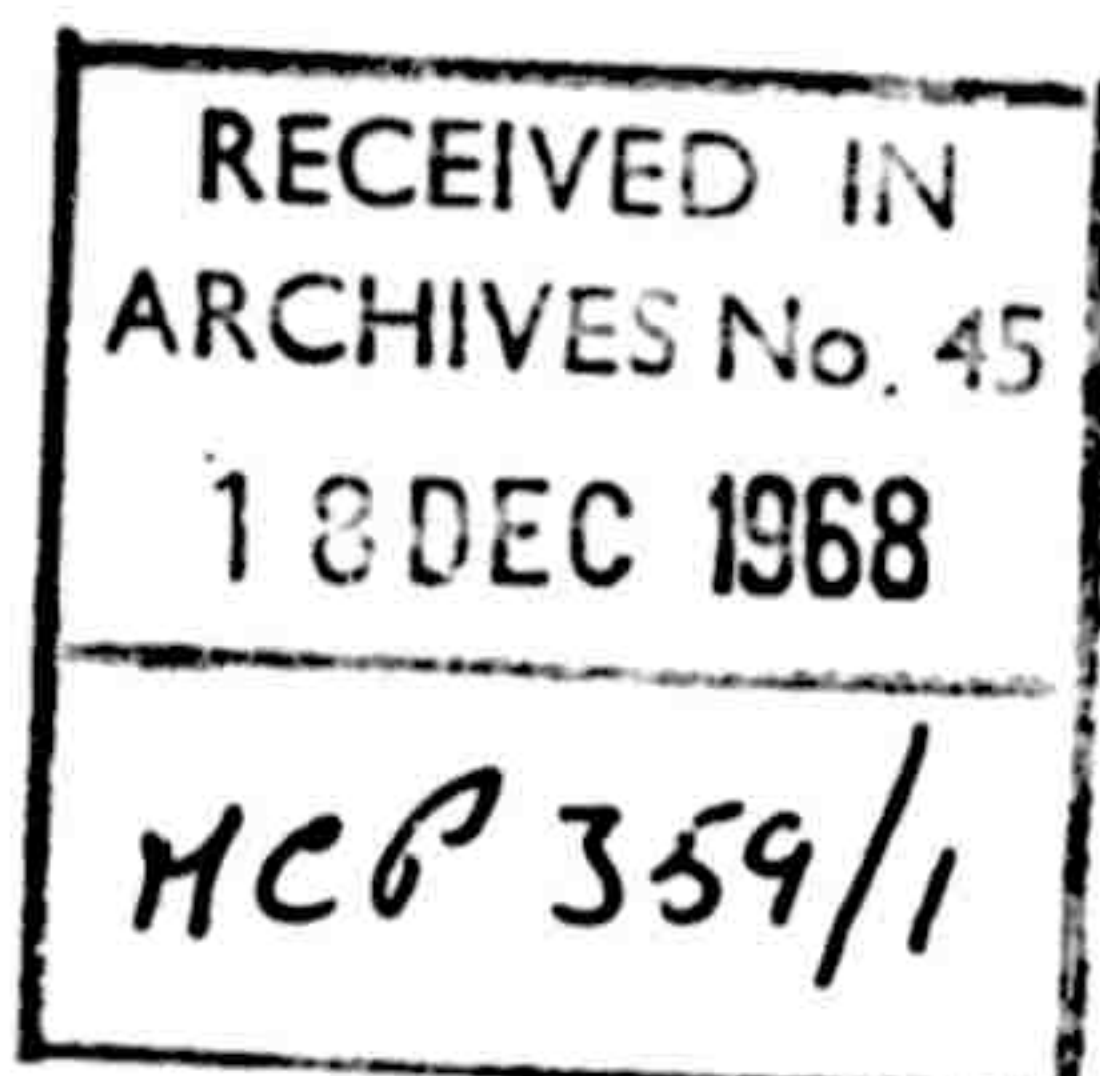
Telegram despatched

13/12

P.A.

16/12





52 MC

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TOP COPY

CYPHER/CAT A  
PRIORITY BAGHDAD  
TELEGRAM NUMBER 533

TO FOREIGN AND COMMONWEALTH OFFICE  
16 DECEMBER 1968.

CONFIDENTIAL.

ADDSD TO FCO TEL NO 533 OF 16 DEC REPTD FOR INFMN SAVING TO  
PARIS, WASHINGTON, THE HAGUE, TEHRAN AND BEIRUT.

(49) YOUR TELEGRAM NO 513: IRAQI OIL.

THERE IS OF COURSE A DIFFERENCE AT LEAST OF EMPHASIS BETWEEN  
WHAT THE IPC TOLD YOU IN LONDON AND WHAT THE IPC CHIEF REPRESENTATIVE  
HERE TOLD US. (THE LATTER CLEARLY SAID THAT GROUP  
REPRESENTATIVES WOULD BE HERE EARLY IN JANUARY - PLEASE SEE  
(50) MY TEL NO 531).

2. IN THE COURSE OF OUR CONVERSATION WITH THE IRAQI MINISTER  
OF OIL I CERTAINLY INDICATED DISSENT AS APPROPRIATE. FOLLOWING  
IS EXTRACT FROM THE FIRST DRAFT OF MY TELEGRAM NO 520. "I (45)  
MADE THE POINT THAT NO AGREEMENT HAD BEEN REACHED ON ROYALTY  
EXPENSING AND THAT THE IRAQIS WERE IN FACT ASKING FOR WHAT  
THEY WOULD HAVE GOT IF AGREEMENT HAD BEEN REACHED." I HAVE  
REPEATEDLY OVER THE PAST MONTHS USED THE ARGUMENT THAT NEGOTIATIONS  
MEANS GIVING AS WELL AS TAKING.

3. AS REGARDS THE DOWN-PAYMENT, MY FRENCH COLLEAGUE  
TOLD ME ON 14 DECEMBER THAT SOME UNCONDITIONAL FINANCIAL  
GESTURE WAS ESSENTIAL TO PAVE THE WAY TO A SETTLEMENT.  
INCIDENTALLY, HE WAS CONSIDERABLY IMPRESSED BY AMMASH,  
WHOM HE SAW FOR THE FIRST TIME ON 10 DECEMBER AND WHO WAS  
OUTSPOKENLY ANTI-COMMUNIST.

4./ I WILL

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-2-

4. I WILL OF COURSE AS FAR AS POSSIBLE DURING THE COMING WEEKS AVOID DISCUSSION WITH THE IRAQIS. I ASSUME, HOWEVER, THAT IF I DO SEE TAKRITI YOU AND THE COMPANY WILL BE INTERESTED TO KNOW WHAT HIS THINKING IS.

FCO PASS SAVING TO PARIS WASHINGTON THE HAGUE BEIRUT AND TEHRAN.

MR. EVANS.

/ REPEATED AS REQUESTED /

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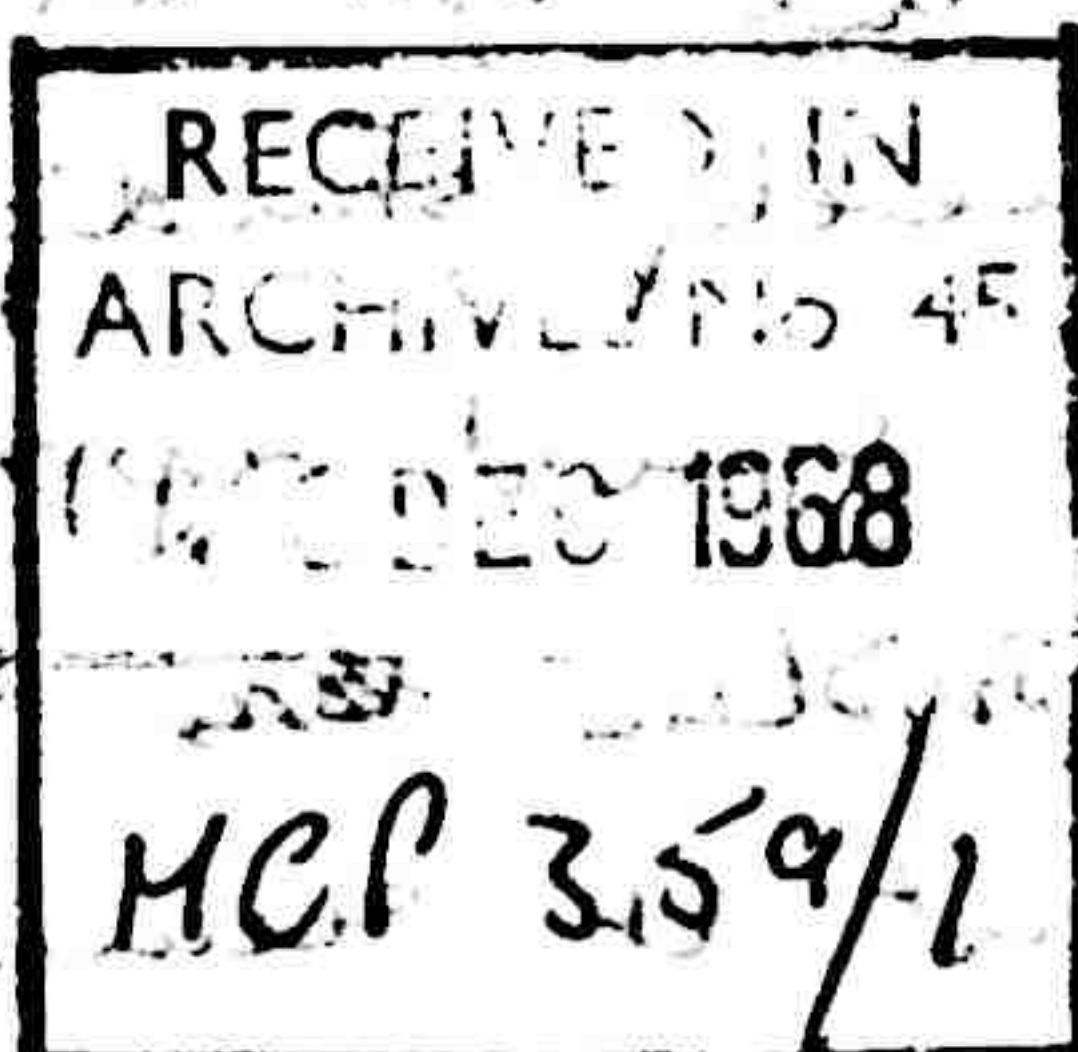
Mr. Farnham

c.c. Mr. Ellingworth, F.O.

IRAQ : VALUE OF NORTH RUMAILA

I think as you note, some of the arguments in paras. 7 - 11 of your letter of 4th December to Mr. Wallis are questionable; and insofar as much of the \$168m. is arguably payable (whatever the legalities) under the OPEC formula, the basis of your cash flow calculation may be questioned. Broadly however I agree that unless Iraq is considered a dangerously festering sore and that money must be paid to prevent the disease spreading, the main effect of a dearly bought settlement there will be greatly to exacerbate problems elsewhere - particularly with Nigeria coming back in the next year or two to substantial production.

Iraq was touched on during Friday's meeting with B.P. on other matters, and I gathered from Chris. Laidlaw and Geoffrey Stockwell that Mr. Dalley's conviction that the Groups would not wish to send a further delegation to Iraq, on the basis that the Iraqis are demanding was extremely well founded so far as B.P. are concerned.



(A.T. GREGORY).  
16th December 1968.

M<sup>2</sup> Farnham

You should see before speaking to M<sup>2</sup> Gregory

At lunch today, M<sup>2</sup> Steliffe said that unless the Iraqis gave real cause for them to think a visit would be worthwhile, he would do his best to have a "more important prior engagement in January". He also said, in response to my question, <sup>speaking personally, he</sup> that ~~the~~ would



would much prefer N. Rumaila compensation rather than getting that oil field back.

W. Ellingworth

17/12/68

W. Ellingworth

Thank you. I thanked Mr. Gregory for sending a copy of his minute, which I said skirted most of the concern Mr. Fremantle's letter of 4 Dec. had caused me. I confirmed that there was no thought in Mr. Gregory's mind that we should consider approaching BP or IPC <sup>to question</sup> ~~about~~ the latter's general attitude to the Iraqi problem.

2. I agreed with Mr. Gregory that from many points of view the present stalemate was not unworkable to our oil interests, but that we would be rash to rely on the Iraqis' merely standing pat; in the circumstances, therefore, the IPC's general approach to a highly complex and very difficult problem ~~was~~ seemed sensible and for the time being at least it seemed best for MOC to remain as <sup>close</sup> ~~close~~ <sup>as</sup> ~~as~~ <sup>as</sup> closely-informed observers.

3. I am seeking to clarify the rather confused present tactical position of IPC, which is not I think adequately covered by Mr. Gregory's minute. This is not said in any spirit of criticism; the constituent parts of IPC itself do not seem to be entirely agreed as to exactly where they stand tactically at the moment.

W. Ellingworth

18/12

Reg & P.A.

W. Ellingworth



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CYPHER/CAT A AND BY BAG

PRIORITY FOREIGN AND COMMONWEALTH OFFICE

TELEGRAM NUMBER 519

RECEIVED IN
ARCHIVES No. 45
20 DEC 1968
MEP 359/1

TOP COPY  
TO BAGHDAD  
19 DECEMBER 1968.  
LAST PAPER

CONFIDENTIAL.

ADDRESSED TO BAGHDAD TELNO 519 OF 19/12 REPEATED FOR INFORMATION  
SAVING TO BEIRUT THE HAGUE PARIS TEHRAN WASHINGTON.

THANK YOU FOR YOUR TELEGRAM NO 533 : IRAQ OIL. (52)

(49) THE DIFFERENCE IN EMPHASIS AND DETAIL BETWEEN THE INFORMATION  
GLEANED HERE (MY TELEGRAM NO 513) AND YOURS FROM IPC'S BAGHDAD  
REPRESENTATIVE (YOUR TELEGRAM NO 531) IS PROBABLY LARGELY DUE TO THE  
FOLLOWING FACTORS:- (50)

(I) THE TIME LAG IN COMMUNICATIONS AMONGST THE VARIOUS ELEMENTS OF  
IPC HERE AND BETWEEN THEIR BAGHDAD REPRESENTATIVE AND THE HEAD  
OFFICE:

(II) THE CONSEQUENT OBSTACLES TO GETTING A QUICK IPC CONSENSUS ON  
THE IMMEDIATE TACTICAL SITUATION: AND

(III) THE CONTRAST BETWEEN THE RATHER BULLISH ATTITUDE OF IPC'S  
BAGHDAD OFFICE (DUE TO PERSONALITIES) AND THE MORE CAUTIOUS ATTITUDE  
OF THE GROUPS (WHO ARE NOT ALWAYS HAPPY ABOUT HAHN'S WAY OF GOING  
ABOUT THINGS).

2. THE GROUPS STILL HOLD TO THE FLEXIBLE GENERAL APPROACH DESCRIBED  
IN EARLIER TELEGRAMS FROM HERE AND IN PARTICULAR MY TELEGRAM NO 439  
(21 NOVEMBER). HOWEVER, SINCE THE SOUNDING OPERATION CARRIED OUT (30)  
BY IPC'S BAGHDAD REPRESENTATIVE DID NOT THROW MUCH LIGHT ON THE  
ATTITUDES OF THE KEY MEMBERS OF THE IRAQI REGIME AND ONLY TENDED  
TO CONFIRM, LIKE YOUR OWN REPORTS, THE CONFUSED STATE OF POLITICAL  
AFFAIRS IN BAGHDAD, THE GROUPS SAW LITTLE HOPE OF MAKING PROGRESS  
WITH ANY REAL GIVE-AND-TAKE NEGOTIATIONS, WHETHER AIMED AT PIECE-  
MEAL AGREEMENTS OR A GENERAL SETTLEMENT. THEY WERE IN ANY CASE QUITE  
CLEAR THAT THEY WOULD NOT COMMIT THEMSELVES UNRESERVEDLY TO A PAY-  
MENT ON ACCOUNT, WHICH WAS WHAT THE IRAQIS SEEMED TO BE AFTER, OR TO  
NEGOTIATE UNDER ANY OTHER PRE-CONDITIONS, EXPLICIT OR IMPLICIT,  
LAID DOWN BY THE IRAQIS.

3./ HAHN

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P.A.

MO

20/12



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-2-

3. HAHN ARRIVED IN LONDON YESTERDAY TO REPORT ON HIS INTERVIEW WITH THE MINISTER OF OIL THIS WEEK AND PROSPECTS GENERALLY. WE HAVE HAD A QUICK PREVIEW OF HAHN'S REPORT FROM THE IPC MANAGEMENT: THE GROUPS ARE NOT YET IN THE PICTURE. WE ARE TOLD THAT HAHN REPORTED THAT THE INTERVIEW WAS A RELAXED ONE AND THAT THERE WAS NO SUGGESTION THIS TIME OF PRECONDITIONS ON THE IRAQI SIDE. IN THE LIGHT OF THIS THE VIEW OF DALLEY, MANAGING DIRECTOR, IS THAT THE WAY IS NOW CLEAR TO THE VISIT OF A NEGOTIATING TEAM IN EARLY JANUARY. THE TEAM WOULD COME IN THE SPIRIT OF THE GENERAL IPC APPROACH (PARAGRAPH 2 ABOVE) AND, IF THE IRAQIS SHOWED SIGNS OF READINESS TO DO A GIVE-AND-TAKE DEAL, EITHER ON A PIECEMEAL OR A WIDER BASIS, THE TEAM WOULD HAVE POSITIVE PROPOSALS TO MAKE. WHEN THE GROUPS HAVE CONSIDERED HAHN'S REPORT, THEY MIGHT BE EXPECTED TO ENDORSE DALLEY'S VIEW (ALTHOUGH WE HAVE HAD INDICATIONS THAT MID-JANUARY WOULD BE A MORE ACCEPTABLE DATE FOR THEM).
4. THE ABOVE THROWS AS MUCH LIGHT ON THE SUBJECT AS WE CAN FIND HERE AT THE MOMENT. THE OBSCURITY SEEMS TO BE CONFINED TO QUESTIONS OF IMMEDIATE TACTICS AND NOT TO THE IPC'S GENERAL APPROACH.
5. THE ABOVE IS FOR YOUR AND OTHER RECIPIENTS' OWN INFORMATION ONLY.

STEWART

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Registry No.  
DEPARTMENT C. & O.D.

• Date and time (G.M.T.) telegram should  
reach addressee(s)

SECURITY CLASSIFICATION

PRIORITY MARKINGS

Top Secret  
Secret

~~Confidential~~

Restricted

Unclassified

17/12

Flash

Immediate

Priority

Routine

(Date)

Despatched

19/12  
17/12  
CYPHER

~~Security Markings~~

~~No Confidential~~

En Clair.

Code

Cypher

[Security classification  
—if any]

CONFIDENTIAL

[Privacy marking  
—if any]

[Codeword—if any]

Addressed to BAGHDAD (~~PRIORITY~~)

telegram No. (date) 19 December

And to

repeated for information to

Saving to BEIRUT THE HAGUE PARIS TEHRAN WASHINGTON

Thank you for your telegram No. 533 /16

December 7 : Iraq Oil.

and detail

The difference in emphasis between the information gleaned here (my telegram No. 513) and yours from IPC's Baghdad representative (your telegram No. 531) is probably largely due to the following factors:-

- (i) the time-lag in communication amongst the various elements of IPC here and between their Baghdad representative and the Head Office;
- (ii) the consequent obstacles to getting a quick IPC consensus on the immediate tactical situation; and
- (iii) the contrast between the rather bullish attitude of IPC's Baghdad Office (due to personalities) and <sup>the</sup> more cautious attitude of the Groups (who are not always happy about Hahn's way of going about things).

2. The Groups still <sup>hold to</sup> ~~have in mind~~ the flexible general approach described in earlier telegrams from here and

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/in

NOTHING TO BE WRITTEN IN THIS MARGIN

Draft Telegram to:-

BAGHDAD

~~(PRIORITY)~~

No. 519

(Date) 19/12

And to:-

Repeat to:-

~~Saving to:-~~

~~BEIRUT~~  
~~THE HAGUE~~  
~~PARIS~~  
~~TEHRAN~~  
~~WASHINGTON~~

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Copies to:-

A.T. Gregory,  
Min of Power.  
F.P.B. Derrick,  
Treasury

80  
19/12  
15202  
19/12/48



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in particular my telegram No. 439 [21 November]7.

However, since the sounding operation carried out by IPC's Baghdad representative did not throw much light on the attitudes of the key members of the Iraqi régime and only tended to confirm, like your own reports, the confused state of political affairs in Baghdad, the Groups saw little hope ~~in these circumstances~~ of making progress with any real give-and-take negotiations, whether aimed at piecemeal agreements or a general settlement. They were in any case quite clear that they would not commit themselves unreservedly to a payment on account, which was what the Iraqis seemed to be after, or to negotiate under any other pre-conditions, explicit or implicit, laid down by the Iraqis.

3. Hahn arrived in London yesterday to report on his interview with the Minister of Oil this week and ~~give his view of~~ prospects generally. We have had a quick preview of Hahn's report from the IPC management; the Groups are not yet in the picture. We are told that Hahn reported that the interview was a relaxed one and that there was no suggestion this time of pre-conditions on the Iraqi side. In the light of this ~~the~~ view of Dalley, Managing Director, is that the way is now clear to the visit of a negotiating team in early January. The team would come in the spirit of the general IPC approach (paragraph 2 above) and, if the Iraqis showed signs of readiness to do <sup>a</sup>/give-and-take deal, either on a piecemeal or a wider basis, the team would have positive proposals to make. When the Groups have considered Hahn's report, ~~and views~~, they might be expected to endorse Dalley's view (although we have had indications that mid-January would be a

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/more

NOTHING TO BE WRITTEN IN THIS MARGIN



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more acceptable date for them).

4. The above throws as much light on the subject as we can find here at the moment. The obscurity seems to be confined to questions of <sup>immediate</sup> tactics and not to the IPC's general approach.

5. The above is ~~strictly~~ for the ~~information~~ of yourself and other recipients' own information only.

ll  
19/12

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**R.H. Ellingworth, Esq.,**



*With the compliments of*

**A.T. GREGORY**

**MINISTRY OF POWER**

**Thames House South**

**Millbank**

**London, S.W.1.**

**Date** 16th December 1968



DSF.....

# NON-OFFICIAL, &c., TELEGRAM RECOVERY OF COST

Section 1 below should be completed by Telegraph Department and this half of this form should then be attached to the draft of telegram and sent to the Registry concerned.

Section 1

Telegram No. 48Date 23/1To BAGHDADEntered papers  
(if known) MCP 359/1 (85)

## Section 2 [For completion by Finance Department]

Cost of message: £ 12 : 2 : 4 .

DSF(M)61  
Draft to Registry for Despatch

Signed [Signature]Date 5/2/69.

P.T.D.



Remains of action taken

on XE

Page

B.W. Page

2/2



Confidential

Cable to Baghdad 23rd January 1949

urgently

1. Please pass ~~the~~ following <sup>to</sup> Hahn of I. P. C. from Dalley.
2. The earliest date possible for my visit is **Wednesday**, 29th January. Please let me know if this is convenient.
3. Sutcliffe asks whether you have yet made a commitment for him. If not, he asks you to consider whether it would be better to postpone his arrival until Saturday, 1st February, or at least until Monday, 27th January. He does not want to have finished his business before I arrive as the probable result of it might well make the position more difficult for me.

"B"

ending  
(C.M. Dalley)

Wt  
23/1



TELEGRAM SECTION  
Room 124 K.C.S  
Communications Department

*Comm. & Air Mail.*

Copy/ies of the following telegram has/have been sent

0

*No. 48 to Baghdad - 23.1.69.*

TO:

*Mr. A.T. Gregory, Ministry of Power.  
Lancaster House, South Millbank.*

*/*

(Signed) .....  
(Department).....  
(Date).....

Action taken in Communications Department :

(Initials) ... *CP* ..... (Date) ... *23/1/69* .....

AFTER ACTION THIS FORM SHOULD BE SENT TO  
THE APPROPRIATE REGISTRY FOR RETENTION



Details Of Iraqi Government's Policy Towards Iraq Petroleum Company's (IPC) Interests In Country.  
Iraq: Government Policy And Iraq Petroleum Company (IPC). 28 Sept. 1968. MS Middle East  
Online: Iraq, 1914-1974: Selected files from series AIR, CAB, CO, FCO, FO, PREM, T, WO,  
The National Archives, Kew, UK FCO 67/179. Newspaper Cutting. The National Archives  
(Kew, United Kingdom). Archives Unbound, [link.gale.com/apps/doc/SC5107458784/GDSC?](https://link.gale.com/apps/doc/SC5107458784/GDSC?u=webdemo&sid=bookmark-GDSC&xid=461bea8c&pg=1)  
[u=webdemo&sid=bookmark-GDSC&xid=461bea8c&pg=1](https://link.gale.com/apps/doc/SC5107458784/GDSC?u=webdemo&sid=bookmark-GDSC&xid=461bea8c&pg=1). Accessed 11 Apr. 2022.